

SEX AND THE PRESIDENCY: The Threat of Impeachment

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— PC Magazine
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From The Editor

A battle for the truth



Dr Susan Blumenthal, the U.S. assistant surgeon general, was in Toronto last week to address the Women's Health Matters Forum, but the D.C. psychiatrist could not escape the controversy surrounding her command-in-chief. In private conversation, she downplayed reports of presidential inappropriateness, noting that Bill Clinton is an outgoing personality and a "nerd" whose actions often have been misinterpreted. But Clinton told a different story. In a former nightclub singer who claims she had a 13-year affair with Clinton said last week that he was a reckless lover—at one time urging her to have sex with him at the governor's mansion in Arkansas while his wife, Hillary, was only a few feet away, out on the lawn. "I said 'No,' but he would have done that," Blumenthal told CNN talk-show host Larry King (left). "He was drinking with another lady, other than this one," she added, gesturing at her blond locks.

Whom to believe, the president's supporters (Foll, as in Friends of Bill), or his legion of detractors? Inevitably and at an accelerating pace starting this week, the savanors will start to cruise an U.S. newsday. So, north, N.Y. Star begins to square one potential inaccuracy without. At the centre of the storm is 24-year-old Monica Lewinsky, who worked at the White House as an intern and then as a paid staffer after college. For someone who once denied having an affair with the President—and appears not to possess any extraordinary qualifications—Lewinsky acquired a unique set of contacts.

She left the White House in 1996—her supervisors thought she was getting impatient with Clinton—for a sensitive job at the

Postings and frequently returned to the White House, where she was valued as the President's secretary. And after she was subpoenaed to appear as a witness in the Paula Jones sexual harassment case, one of the President's most trusted confidants, attorney Vernon Jordan, drove by to advise Lewinsky at her apartment in the Watergate complex. Later, Jordan placed calls to New York City firms and arranged for Lewinsky to get job interviews, including an offer from the U.S. ambassador to the United Nations, Bill Richardson.

It is possible that Clinton only lasted in his heart. While the circumstances suggest the contrary, there was no firm evidence last week, only a whirlwind of leaked reports of Lewinsky's tape-recorded conversations with her so-called friend Linda Tripp, an other former White House aide. Just Foll led accounts of a conspiracy that included literary agent Luanne Goldberg, who admits that she urged Tripp to tape-record conversations in which Lewinsky allegedly discussed details of her dalliances with Clinton. As Foll were eager to point out, Goldberg was the agent for former detective Mark Fuhrman when he wrote his best-seller about the O.J. Simpson case. As well, Foll said that journalist Starr is a conservative Republican, and James is backed by the ultra-conservative Republican Institute.

Last week, two stark options began to emerge: a) the President of the United States is a liar and a philanderer; or b) his enemies have mounted a campaign that will lead to his impeachment. It was not a pretty sight.

Robert Lewis



The Clinton last year in Denver: a reckless lover?



Noble with Robert Lewis and Clapham: where the deal was done

Newsroom Notes:

Changing assignments

News was breaking out all over last week, and to keep up with it, Maclean's editors jiggled assignments and cover stories in three successive days. Newsroom Editor Andrew Phillips was in Cuba covering the Pope's visit when the latest sex scandal broke over Bill Clinton in Washington. While Phillips continued his reporting for a six-page report, National Affairs Columnist Anthony Wilson-Smith flew to Washington

and joined Correspondent William Leather to follow the brewing crisis at the White House, the subject of a seven-page package. Senior Editor Barton Woodward supervised both reports in the World Section (page 26). Then on Friday morning, the Royal Bank of Canada and the Bank of Montreal announced surprise plans to merge, and National Business Correspondent Kimberley Noble began reporting a story that is bound to change the face of Canadian commerce—and one that took her to the hotel where the deal was signed to interview bank chairman Matthew Barnett and John Clapham. Says Assistant Managing Editor Ross Lavis, who oversees the bank cover: "Regardless of Ottawa's next move, the banking sector will never be the same."

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Editorial Update

The Maclean's Guide to
Canadian Universities 1990

The definitive guide to Canada's universities features comprehensive, current profiles of each school, detailing popular courses, professors, services and highlights, plus information on residence facilities and co-op opportunities. In addition to Maclean's exclusive university rankings, there is valuable advice for international students and a complete directory to all Canadian community colleges. For those considering a legal career, a 23-page survey of the country's common-law schools is included.

This year, in recognition of skyrocketing student debt, the Merit's editorial team presents a new 40-plus page report on entrance scholarships, as well as savings and loan programs for students.

With the most comprehensive up-to-date information, *The Affection's Guide to Canadian Universities 1996* is required reading for all students, parents and educators.



The time edition will be on sale on March 2.

Newsstand Notes



Canada at War
For nearly a century, Maclean's has published some of the finest writing on war, bringing the horror and triumphs of the battlefield to the printed page. Commem-

of War is a critically-acclaimed collection of previously-published Maclean's articles that highlight heroic individual experiences from the First and Second World Wars through to Canadian peacemaking efforts in Cyprus, Somalia and the former Yugoslavia. Published by Penguin Books Canada, *Chronicle of War* is now available in stores everywhere.

ICE STORM RELIEF FUND

Last year when the flood was in Manitoba, Canadians responded generously from coast to coast. In 2008 we came to the aid of the Saguenay Region. Now the need is in Quebec, Eastern Ontario and New Brunswick. Please help! Donations can be made in person at your local Royal Bank or Royal Trust branch, or for Royal Bank clients or Visa Card holders, by calling 1-800-870-0813 or 1-800-749-2819. The funds raised will go to efforts directed by the Canadian Red Cross.

Advertising Cancellation Notice:
In the July 2010 issue of *Midland's*, the line advertisement on page 57 should have contained the following copy: "Any purchases/sales of new and commercial vehicles and non-original owners are ineligible." This statement was deleted inadvertently and *Midland's* apologizes for the inconvenience it may have caused.

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1. Jane Austen (1775-1817), *Pride and Prejudice*, 1813.

Supervisors: Co-ordinators of the studies, one female.

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Ocho Rios

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Barbara Amiel Making the Unabomber sound reasonable

Hey, it's a real test for *Maclean's* readers. Which of the following two passages is the work of a leading Canadian academic and which is that of a paranoid schizophrenic?

Passage 1: "In the language of what seems to be technical disagreements and disputes, we can be certain only of this: our time and place have long electrified Electricity spikes, clings, looking for conductors and shunters to illuminate, job. Our amplifiers, which we call electronic technology, heighten the perpetual shunting which is life, making rampant change itself our exhilarating and harrowing circumstance. Electricity alters our relationship with every social construct. Questions burst upon us: what is citizenship?"

Passage 2: "While technological progress as a whole continually narrows our sphere of freedom, each new technological advance considered by itself appears to be desirable. Electricity, and our plumbing, rapid long-distance communications. How could one argue against any of these things... that have made modern society? Yet all these technological advances taken together have created a world in which the average man's life is no longer in his own hands or the hands of his neighbors and friends but those of politicians, corporation executives and remote, anonymous technicians and bureaucrats."

The first quote is from a 1996 speech by R.W. Powe, an intellectual who took Canadian academic and literary criticism by storm a few years ago. Powe is now a senior lecturer at Ontario Arts Council grants for writing (1988, '89, '91, '92, '94, '96), a Madeline Hunter Fellowship and the 1994 George Woodcock Final Award.

The second quotation is from the Unabomber's manifesto "Unabomber Theodore Kaczynski is a Lucifite who opposes technology, while Powe is a post-Mellusian technocrat who loves it. But the main difference (beyond and beyond) between Powe and the Unabomber is that, instead of living in a cabin in the woods, Powe teaches at York University. In addition, the Unabomber had to blow up several people before *The Washington Post* would publish his writings, while the Jan. 17th edition of *The Globe and Mail* published two full pages of Powe's writings. Here's Powe, indeed, last Canada's leading, greater society.

I first encountered Powe last week when I plowed through his incomprehensible manifesto in the *Globe and Mail* dealing with the threat of international corporations. "It seems to me," wrote Powe, "that the truly great question before us must be, from a Canadian perspective, what is universal humanity?" Huh. What would it be from the Belgian perspective, I wondered? Why is this question of any importance? What on earth does it mean? Might this be a spoof?

The review gathered steam. "The old structures of our thinking can't hold. The deepest roots are—time to go out on a limb—now

that and sensory. Our own psychic dislocations will continue to rule no matter where we elect to govern.... If the soul is in disarray, so will the state be. Fear and terror seethe at our core.... We spin so fast, that so widely."

Powe's work is symptomatic of an old disease. Fashions come and go, and when they take on ideas, the result is the same: there are great ideas and bad ones, elegant ideas and tedious ones. There are few areas of human endeavor where gibberish can pass so easily for deep thought as in philosophy and art. You couldn't get away with such trips in engineering, mathematics or any other discipline, with the possible exception of healing. Add to this that so many people are educated beyond their intellectual capacity and exist in a constant state of overload in terms of thought and ideas and you have a recipe for disaster. If they are academics (or a newspaper's book editor), they may be afraid to acknowledge that they can't make head or tail of some things; after all they get their paychecks and tenure for understanding what is over our heads.

There are few areas of human endeavor where banality can pass so easily for profundity as in philosophy and art

Some things we can't understand are genuinely profound and supply too much for many of us. But the Powe-ites of our time mask the inner banality of their work in an impenetrable jargon that, like heavy make-up, disguises the plainness of their ideas. And sometimes they mock things up. "I must also point out," writes Powe importantly, "that according to a variant of physicist Werner Heisenberg's famous uncertainty principle, nothing ever quite settles out the way people like to pretend." He grandiosely said that too, but what Heisenberg actually said (according to my encyclopedia) was that while quantum mechanics provides valuable information, it is useful only within a narrow range, since the position and velocity of a subatomic particle cannot be measured at the same time. That's different, not (I) Heisenberg. Powe, I'd have chosen Heisenberg's "You can never know the nature of matter more than you probably know it." Heisenberg's principle had a hell of a lot to teach.

There are two things for which Powe seems to possess no natural talent or knack, and they unfortunately are the two things that seem to engage his interest the most, namely philosophy and poetry. What I found most irritating in his review was his connotation of the authors for their deadly use of the English language. God knows their poor prose may be plodding, but if there is anything worse than academic banality it is Powe's banality.

If these are the intellectual pearls emerging from the post-Gatesbury Mellusian veins of Powe, I'll join Kaczynski in his cabin. Anticipating the passed looks of Powe's supporters with their sighs of "How can a PhD thesis bear thinker like me who has lived in to this new world possibly understand its depths?" the answer is that I can recognize the Brooklyn Bridge when I see it and I'm not buying.

Opening Notes

Edited by
BARBARA WICKENS

A tidal wave of Titanic

These mass exports cascaded across the globe, flooded by the Titanic shipwreck along the U.S.-fated ship. In Canada alone, Titanic has sailed in a record 523 million in the past five weeks. "It's because the movie has been so successful," says Famous Players spokesman Dennis Kucheryav. He cites the director, James Cameron, and the sound track featuring songs by Celine Dion—as well as Canada's involvement in recovering bodies and parts to the shipwreck. The 1912 sinking, which took place about 1,300 km east of Halifax.

This effort is being modelled at the Maritime Museum of the Atlantic in Halifax. There, curators have assembled an impressive array of Titanic artifacts—including the only intact deck chair, pieces of ornately decorated wood from one of the luxury liner's sweeping staircases, and a logbook from a Newfoundland wireless station that detects the last frantic radio calls from the ship before it sank. The permanent collection went on display in early December, timed to coincide with



The ship's artifacts at the Maritime Museum, Canadian conservation

the hype surrounding the Dec. 12 opening of Titanic. The strategy has paid off: since then, more than 3,000 people have visited the museum, a 25-per-cent increase over the same time last year. Among other things, the exhibit documents the role that ship from Halifax played in recovering bodies. About 150 Titanic victims—the largest concentration anywhere in the world—are buried in three Halifax cemeteries, where visits are also on the upswing. Don Cohen, curator of marine history at the museum, believes that the intense interest in all things Titanic is because the tragedy is "a really powerful and compelling symbol of disaster. We all need symbols for when things go wrong." And for the movie, Cohen goes on to a "bunch of stuff." Despite a few historical quibbles, he says that Titanic "stands reasonably close to all of these really interesting open-ended records and facts."



Monarchs in Mexico
a new model forest

Winging it to Mexico

Butterflies are free—or at least millions of monarchs will be once a 735,000-hectare Monarch Butterfly Model Forest is created in Mexico. Last week, the Canadian and Mexican governments signed an agreement to share equally the \$2.4-

million cost of the area that will protect the butterflies. They migrate between the two countries, spending summers in southern Canada, and wintering in the mountainous south-to-atlantic states of Michoacán and Mexico, where impoverished residents hack away at the forest. "If things don't change, smaller forests will mean a lot fewer butterflies," says Steve Ward, a scientist with Environment Canada. The plan will encourage a more sustainable use of forest resources and strengthen the region's economy, so local residents, and the colorful butterflies, can both prosper.

The trades aim for the shiny brass ring

How much gladder is there in the dirty deal others' thanless job of being a plumber? Skills Canada, a nonprofit organization, is helping to add some glitter to blue-collar work at the Canadian Skills Competition, dubbed the Skills Olympics, in Vancouver this May. "It's what trades be to a whole, first-class career option," says Dale Oroschko, executive director of Skills Canada for British Columbia and the national competition's organizer. More than 1,000 competitors are expected to vie for national titles and a chance to represent Canada at the International Vocational Training Competition being held in Montreal in 1999. Oroschko says Skills Canada is helping to raise the status of trades such as welding, auto repair and plumbing. "In Europe, the average age of an apprentice is 15," he says. "In Canada, it's 28. We're young people to realize they don't have to go to university to put themselves into a growing career."

Secret Shangri-La

San Bligh has a dream job. As president of San Toronto-based Bligh & Company Travel, which specializes in adventure trips to such far-flung locales as the Andes and Morocco, Bligh has the insider information on the world's most exotic places. So when does he vacation? Above, a cluster of islands located at the northern tip of the Bahamas. But do not expect to find that tropical treasure in the Bligh & Company brochure.

"No, we didn't find that place," admits Bligh, 43, who visits Above at least once a year. "It's all the better trip, very stylish, but also very basic. Our customers want luxury and adventure." Bligh discovered his secret hideaway almost 30 years ago, when the island did not have electricity. "It was just the Caribbean equivalent of a 'Green Bay,' says Bligh, referring to the Ontario cottage district where he owns a house. Above may not have all the mod-cons, but for Bligh, it is his own private Shangri-La.

Private mail goes public

One letter, two investigations. It all got going after Bruce Stirling, a former councillor of the Town of Timiskaming, wrote to Indian Affairs Minister Jeanne Stewart in Ottawa last October complaining about financial mismanagement on the reserve just outside Calgary. Stewart passed the information along to the RCMP, who began investigating the allegations. But a copy of the letter also ended up in the hands of David Roy Whitley, who has launched a defamation suit and obtained a court order preventing Stirling, 50, from making further derogatory



Stewart-allegations

comments about him. A spokesman for Whitley said an anonymous person left a copy of the letter—bearing a "need-to-know" stamp from the minister's office—along with the chief's office door in Calgary. Now, Stewart has ordered a second investigation—this one an internal department probe—into the leak. "It's absolutely inappropriate that Chief Whitley has this letter," she says. "I don't come from me or through official channels." Reform Opposition Leader Preston Manning said last week that Indian Affairs should at least pay legal costs for Stirling, who is unemployed and taking classes at the University of Calgary—where he was responsible for the leak.

BEST-SELLERS

1. *Predator*, John Deere (12)
 2. *White Paper*, John Deere (12)
 3. *Lump*, John Deere (12)
 4. *The Fighting Irish*, John Deere (12)
 5. *Barney's Honor*, John Deere (12)
 6. *A Good Thing*, John Deere (12)
 7. *Stolen*, John Deere (12)
 8. *The World's Worst*, John Deere (12)
 9. *Capital*, John Deere (12)
 10. *Red*, John Deere (12)
- NOVELS**
1. *White Paper*, John Deere (12)
 2. *White Paper*, John Deere (12)
 3. *White Paper*, John Deere (12)
 4. *White Paper*, John Deere (12)
 5. *White Paper*, John Deere (12)
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 8. *White Paper*, John Deere (12)
 9. *White Paper*, John Deere (12)
 10. *White Paper*, John Deere (12)

POP MOVIES

Altman's legal thriller

For his latest film, *The Grapes of Wrath*, director Robert Altman joined forces with suspense novelist John Grisham to create a dark and edgy thriller. Kenneth Branagh plays a successful lawyer thrust into a life-threatening case. Supporting cast includes Robert Downey Jr., David Hemmick and Robert Downey Jr.

Plot by a beautiful, mysterious woman. Support cast includes Robert Downey Jr., David Hemmick and Robert Downey Jr.

- | Rank | Title | Weeks | Gross |
|------|--------------------------|-------|-----------|
| 1 | <i>Titanic</i> | 20 | \$257,000 |
| 2 | <i>Good Will Hunting</i> | 12 | \$177,000 |
| 3 | <i>Aladdin</i> | 12 | \$177,000 |
| 4 | <i>News</i> | 12 | \$177,000 |
| 5 | <i>News</i> | 12 | \$177,000 |
| 6 | <i>News</i> | 12 | \$177,000 |
| 7 | <i>News</i> | 12 | \$177,000 |
| 8 | <i>News</i> | 12 | \$177,000 |
| 9 | <i>News</i> | 12 | \$177,000 |
| 10 | <i>News</i> | 12 | \$177,000 |

Passages



David Wilton, 80, of pneumonia, in Montreal. Ontario who was the NDP member for Winnipeg North from 1962 to 1988, is best remembered for supporting his wife, Wilton, in a successful lawsuit against the CIA and

Montreal's Royal Victoria Hospital in the 1980s. She was one of about 50 patients used unwittingly in CIA-funded mind-control experiments during the 1950s. She died in 1990 at age 73, from cancer.

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DEATH OF A CHOIRBOY

A student's suicide shakes a renowned Toronto school

BY JOHN NICOL and JANE O'HARA

Kenneth Au-Yang, a 17-year-old student at Saint Michael's Choir School in Toronto, often told his friends "I feel like the luckiest guy in the world." He was a straight-A student with an agile mind and a passion for computers—the kind of kid who volunteered at a local convalescent hospital in his spare time and shovelled the snow when his parents asked him to. As for his future, Au-Yang had a career path mapped out when he graduated from high school; he intended to study computer or engineering sciences. He was a mother's dream, a firstborn child who knew where he was going and how he was going to get there.

But on Dec. 11, something went terribly wrong. Early that afternoon, with a light snow falling, Au-Yang travelled the 3.3 km from his Bond Street school in downtown Toronto to the Bloor Street viaduct, which spans the city's notorious Don Valley. Witnesses saw him walking east on the bridge. Then, without warning, he put his two hands on top of the stone railing and hurtled over it, as though leaping a fence. He died instantly upon hitting the ground. And his death has left the prestigious choir school facing a scandal that involves rumors of sexual abuse, a questionable police interrogation and stone-walling by school authorities—as angry parents demand answers.

On the morning of Dec. 11, Au-Yang and five other boys were called to the office to be questioned by Const. Christopher Downer, an off-duty policeman and a former school boy who for years had served as secretary between friendly neighbourhood police officer and the school's private bouncer. Downer had been called by a teacher to find out which of the students on the yearbook committee had embarrassingly altered a line of text in the yearbook, which the day before had arrived from the printers. The alterations—ranging as a prank—raised the spectre of sexual impropriety at the school.

Downer, 36, a 15-year veteran of the Toronto police force, began the 10-minute interview by asking the boys two choices. He said they could admit to changing the yearbook as a prank—or if no-one owned up they could face the possibility of criminal charges. Given that stark choice, Au-Yang and another student both confessed to changing the text. Au-Yang told Downer he meant to change it

back, but was on holidays with his family when the final editing was done. After that confession, principal John Ryall told the two boys to go to their rehearsal for the choir's annual Christmas concert at Massey Hall and report back to him later that afternoon.

Some time around noon, a devastated Au-Yang put on his dark winter coat and decided to skip the rehearsal. Instead, he left the school, turned north on Bond Street and went to the Bloor viaduct. According to police, he left a suicide note that merely read "Sorry for everything." What part did the policeman's interview play in his death? "Everyone's asking that," said Mark Angelo, the president of the student council. "It's just speculation—but it might have been the straw that broke him."

Three days later, Au-Yang's choir-school classmates, in their in-

numous maroon uniforms, sang at his funeral mass. Some held black tears. Others, in memory of him, wore purple ribbons they had made themselves from material they bought. Au-Yang's mother had already written a four-page letter that eloquently described the beautiful son she had lost; it pointedly began "The top question on the mind of everyone who is gathered here must be, 'Why did Kenneth kill himself?'"

That question has deeply shaken Saint Michael's, a famed Catholic institution that opened in 1977 as a private boys' school dedicated to the study of Catholicism's sacred music. One former student described the institution, which is now publicly and privately funded, as a tightly knit "household environment that oper-

ated by its own set of rules." There is intense pressure on the students, who come to the school after successfully completing musical auditions—held annually throughout Toronto's Catholic elementary schools. As well as shouldering a heavy load of regular high school courses, students also have a heavy curriculum of musical studies. For tuition of close to \$2,000 a year, they learn piano, organ harmony, theory and some of the most difficult choral works in the Western repertoire.

The boys of Saint Michael's are known internationally, and the school has produced many famous names, including *Les Miserables* star Michael Dagg and Toronto recording star John McVie, who last year sang for U.S. President Bill Clinton at the White House. Over the years, the choir has performed for popes and



Small portrait of Au-Yang. (Inset) Au-Yang's funeral mass at St. Michael's Choir School.



prime ministers, and helped quarry and bury most of Toronto's Catholicism. Bigger, bigger, classical architecture runs over for IBM Canada, says Saint Michael's has one of the best choirs in Toronto, but the real nucleus of the school can be measured by "the number of alumni in prominent positions in the music world. These kids come out with a musical education with real-world skills." Adds Barone, who began performing with the choir school at age 10: "Whether or not I made my living in music, my time at the school has enriched my life."

There may be some mystery in the music and the Gothic spires of the cathedral where the choir has performed. But the mysterious death of Kenneth AuYoung has brought Saint Michael's firmly down to earth. Sources say the Toronto police department's internal affairs division, which reports to Chief David Boothby, began looking into the case in mid-January, although a spokesman for internal affairs would not confirm it. The Toronto coroner's office, which rarely holds inquests on jumper suicides for fear of encouraging copycats, has geared up an investigation. And Toronto's Archbishop Aloysius Ambrose, who was recently elevated to the rank of cardinal by Pope John Paul II, says he asked for and received a report on the death.

Last week, Ambrose, whose home cathedral, Saint Michael's, reforms the choir school, told Maclean's "I'm definitely looking at it, except I don't want to talk about it. It's a terrible tragedy. I have a report on it from the musical director. It's a genuine report—it's for me. Let's put it this way: I'm satisfied that the school has done just about everything that could be done." Two days later, Ambrose's spokesman called back and said that the newly retired cardinal had delved further and discovered the weird sexual allegation in the yearbook. The temperate text suggested that a choir-school staff member was also "head equipment manager for the Toronto Maple Leafs." It was a flippant reference to the sexual scandal that rocked Toronto's hockey since two years ago when victim Martin Kruse came forward and blew the whistle on a ring of pedophiles preying on young hockey fans. In October, Kruse killed himself by jumping off the Bloor viaduct. AuYoung jumped from almost the exact same spot.

AuYoung's death has generated, Ambrose said, he was pleased the authorities were investigating. "If there's even a whiff of indecency you have to check," said Susan Scorsone, on behalf of the archbishop. Ambrose's words will be music to the ears of parents who, for the past six weeks, have been trying to cut through the fog of lies and mystery surrounding AuYoung's suicide. Since his death, rumors have not respite through the school about what went on. "It had the air of a scandal," said one student. "But everything after that was also a scandal. If you're late three times, it's a scandal." Of particular concern to the parents was the presence of the old-duty policeman, Const. Downer from D12 Division—was he aware the school—who interrogated the students without their parents' consent or presence, against board policy.

Downer, who still regularly sings with the choir school, told

Maclean's last week that he was phoned on Dec. 10 by a longtime Saint Michael's teacher, Louise Kane. Kane said that day, the six boys had been called out of their rehearsal and summoned to principal Rydell's office after staff noticed the yearbook postage had been tampered with. The school called Downer instead of a uniformed police officer because they wanted to keep the incident, in Downer's words, "under wraps." And it was not the first occasion he had been called in. Four years ago, money had gone missing from the school and he was sent in to find the thieves. He succeeded.

This time, his mission was to find who changed the text in the yearbook. Downer says that during his interview with the students, he did not yell. "I said, 'Someone's been fooling around—it's time to tough up to it and I'll hand you over to your principal. Or there will be a criminal investigation. If it was a prank, just say so.'" After the students admitted responsibility, Downer says he made it clear to them that no charges would be laid. Does he feel guilty? "Not in the least," he said, adding that he thought AuYoung probably committed self-suicide "out of shame. I think he was troubled and depressed."

Some critics, though, question Downer's role. Toronto criminal lawyer Patrick Adelman says the interrogation was highly irregular. "It's wrong for the police to use their office to investigate when they're not acting in an official capacity," he noted. "That given them the authority but not the accountability." Added Dr. Zy Turner, chief psychiatrist at Doctors Hospital in Toronto: "I don't want to necessarily criticize, but authorities who use this approach would need to be mindful of the effect on vulnerable individuals, and the potential adverse side-effects."

Saint Michael's may have overreacted by calling in an off-duty officer for such a trivial matter—but allegations of sexual impropriety in the schools has become a hot-button issue for the public. In fact, Downer's involvement was not the only attempt to lay a lid on the brewing scandal. After news of the suicide reached the school, a media adviser was called in for damage control. "We wanted to keep The Toronto Star from getting at it," said teacher Kane. The next night, despite some pressure to cancel, the school put on a dinner, deciding that the choir should perform in the front row. Kane's mother wrote that in the yearbook calendar since 1939: "There was a mass reaction to doing it," said one student. "Should we not go on—or should we do it for Kenneth?"

Since the suicide occurred, AuYoung's parents have tried to turn the page and get on with their lives. Indeed, they feel there may have been factors other than the interrogation that triggered their son's death. In a last farewell letter, Kenneth's mother wrote that when the yearbook alteration was discovered on Dec. 30, Kenneth came home worried. "His reputation would be ruined" and that he might not be accepted to university. But easily other choir school parents have been waving an unflinching crusade to find out what hap-

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CANADA

pered. On two occasions, they have banded together and packed parent council meetings, hoping for some explanations from officials. Both times they were told by Michael O'Flanagan, the superintendent for the Metropolitan Separate School Board, that the authorities were handling the matter and reports would be made public in due time.

During the first meeting—on Dec. 12, six days after the suicide—parents crowded to the school cafeteria. Instead of answers, they were given a seminar on suicide counselling and bereavement. They listened patiently—but eventually one father with two sons in the school rose and started directing uncomfortable questions at O'Flanagan. According to sources at the meeting, the father wanted to know who was responsible for the tragedy and said the parents had a right to the information.

At that same session, another parent, Paul Lawrence, submitted a carefully constructed lawsuit "Tropical Air Action" suggesting that the parents conduct their own investigation. Among the issues: "Why was the prank done? What undercurrents exist such that the students are motivated to strike out in words this way?" Lawrence's statement also questioned the heavy-handed police involvement and asked why the parents of AuYoung and the other boys were neither notified nor present at the interrogation.

The parents went home that night with no clearer understanding of what had occurred. Lawrence's lawsuit, meanwhile, went nowhere. Said Michael O'Flanagan, a former separate school board trustee who attended the meeting: "If there is any possibility that the police interview was a part of the case for the suicide, then there's something drastically wrong with the system. Adults have protection in interviews by police. Did those students have any rights of protection?"

On Jan. 18, a full five weeks after the suicide, chessboard parents launched another attempt to get to the bottom of what happened. At 2 p.m., they began streaming into the high school auditorium, filling it to capacity. Again, superintendent O'Flanagan was there, this time accompanied by a board lawyer. Again, the agenda featured a long lecture on grieving and bereavement. But the parents were not there for an abstract seminar. They had stopped grieving

and had moved well down the road to anger; they wanted cold hard facts.

For more than 90 minutes, they sat patiently, until one father rose and asked why some of the school staff were still in place while investigations were ongoing. O'Flanagan replied that statements of that nature could be considered slanderous and defamatory. "I had to caution the participants," said O'Flanagan. "There were a number of rumors or allegations that I heard in private and some surfaced in conversation. If they [the parents] were going to establish cause and effect or assign responsibility, it could be defamatory."

When another rose and said she, like all the parents, simply wanted official confirmation of what had happened, and who was responsible, the crowd ap-

plauded. O'Flanagan tried to mollify her by saying the coroner and the police were looking into matters. At that, another father stood up and said, "So like a meeting of the board or a meeting of the parents?" He was applauded as well—but six hours after the meeting began the parents left, some knowing little more than when they went in. Principal Ryall did not attend the meeting. But he denies the school is trying to keep the parents in the dark. "Are there a whole series of things that the school knows and is covering up? Not to my knowledge," he said. "I'm not Bill Clinton. There's no conspiracy of silence here that I'm aware of."

At the Board Street school, classes have returned to normal, but things may have changed forever. Many of AuYoung's 27 remaining Grade 12 classmates say they are still emotionally shaken by what happened. On a more pragmatic note, they say their class discussions will be all the poorer now that they have lost the gift of their friend's nimble mind. "He brought a critical, logical perspective to all our arguments," said student council president Angelo, who delivered a tender eulogy at his friend's funeral. "Things won't be the same without him."

As for the yearbook that started the catastrophic chain of events? A new page was pasted in and the book went back out to students. The board tried to fix the error with a couple of hundred dollars. The real cost may never be known.

WILL STEPHANIE MOLEN and
TOM KENNELL in Toronto



Robert Mead, 16, is facing accusations of manslaughter.



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Rescuing hydro towers near St-Casimir, Que.: an outpouring of national support

A long way to go

BY BRENDA BRANSWELL

Day 17? A scribbled note on the bulletin board at a St-Jovite schoolhouse, Que., emergency shelter deftfully kept count of the city's sojourn into darkness. But the length of the ordeal following early January's ice storm was also written in weary and weary faces. As the afternoon sun streamed into the library of the high school housing the shelter, some people slept on army cots. Others coughed sporadically—they were among the 200 people at the shelter battling flu and other ailments. The topic was equally palpable across the border in the small farming village of Ste-Anne-de-Pré, Que., as the community entered its third week without power. Nicole Boisselle, 44, a veterinarian's assistant who lives on a horse farm with her husband, John O'Brien, and two daughters, spent a few hours hauling water and wood to their home, heated by two woodstoves. "Everyone around here is OK—our house has been 100 years old and it's going to stand up," said Boisselle. "It's been going on so long, and we're just so tired."

The worst should not be over. Power lines expected to be fully restored in eastern Ontario and most of Quebec at the start of this week. But Hydro Quebec said it could take another week for electricity to return to some isolated rural areas. And the damage to Hydro Quebec's tattered infrastructure will take even longer to repair. Canada's worst ice storm on

record has been a harrowing experience for the province's utility—a long period spent for many Quebecers. The trouble is the storm gutted Hydro's network, knocking out power in downtown Montreal on Jan. 9 and shuffling down many others there for three days while leaving hundreds of thousands of people south of the city in the dark for close to three weeks. As Hydro labored a 360,000-volt line plan last week to beef up its power grid, critics accused the utility—and the government, which quickly gave it billions of dollars—of acting too hastily. "Hydro shouldn't be judge and jury on this question," complained Christian St-Onge, the opposition Liberal environment and labor minister. "Hydro shouldn't be judge and jury on this question," complained Christian St-Onge, the opposition Liberal environment and labor minister. "Would we ask a private enterprise to tell us what went wrong with their system, and propose to us what should be done and we would pay for it?"

The worst? The only criticism, Ontario accused Premier Lucien Bouchard of Parti Québécois government of using the storm to gain approval for a new aboveground transmission line into Montreal—a project that, in 1986, Quebec's environmental assessment board ruled was not necessary. Currently, 12 high-voltage transmission lines from generating stations to southern Quebec and bordering supply power to northern Quebec. But Bouchard maintained that Hydro's plans

needed to be followed up quickly to bolster the system. "We are equally convinced that we must not put ourselves in the same situation neither after doing nothing," he said.

Hydro Quebec also plans to improve its power grid by building more robust pylons and new connections that will transform dead-end lines into loops—giving it more options to channel power. The utility also proposes building a link to Ontario's power grid, which could be used in emergency situations. Some observers concede that loop lines would make Hydro's system more secure, but they argue that the government learned the lessons from the ice storm. Fern Adams, an analyst with the national environmental

and consumer watchdog Energy Probe, maintains that the answer lies elsewhere. "To enhance reliability they'll have to do more than just add wires," says Adams.

As the debate rages, many people welcomed the prospect of returning home after three weeks. Others escaped the final days of the blackout. Seventy-one Quebec high school students are spending this week in Grand Forks, B.C., 200 km south of Kamloops, at the invitation of a local high school. The students, who attend two Anglican high schools south of Montreal, flew out to British Columbia last Wednesday courtesy of Canadian Airlines, Air Canada and the provincial forestry ministry. "It's so wonderful," exclaimed Ruth Manning, a 16-year-old St-Hubert, Que., student. "I'd almost forget how a light switch worked."

All in all, the blackout provided an impressive display of the country coming together during a disaster. Needy Ontarians received 13,000 coats and sweaters, 17,000 blankets, 1,500 power generators, 1,100 carbo carbide detectors and 1,100 smoke alarms. Other donations and volunteers flooded into Quebec, including members of the St. John Ambulance who arrived from Ontario and New Brunswick to provide first aid at the shelters. Students from Charlestown sent batteries, and five small planes carrying blankets and books for St-Jovite schoolhouse's hospital arrived from Toronto.

At the height of the crisis, 14,000 soldiers were sent to the affected areas—the largest peacetime mobilization in Canadian history. Last week, although most of the troops in Ontario were withdrawn, about 7,000 soldiers remained in Quebec, helping Hydro crews. And while Ottawa avoided paying the warm-up costs of a national unit, the outpouring of support was clearly appreciated in Quebec. "The constant I've heard is, 'The Canadians, they actually care,'" says Myrlande Siméon, the mayor of St-Jovite—located in a rural area of Quebec—regarded as a bastion of Quebec values.

Some large businesses in Quebec's so-called Triangle of Golden, the hardest hit area south of Montreal, reopened last week with the help of governments. But many people, like St-Jovite businessman Sylvain Carlier, fretted while their stores stayed closed. Carlier, 31, owns a sewing machine and a shop, but he had to close. "When we open in February, there won't be anyone shopping," laments Carlier, who is married with three children. "Take us, they're all having financial problems."

The toll for the storm, meanwhile, is estimated at \$3 billion. According to the Insular Council of Canada, as of last week more than 21,000 claims, totaling more than \$25 million, had been made in Ontario, and 250,000 claims, worth \$885 million, recorded in Quebec. And for many people, harder times lie ahead. In Ste-Anne-de-Pré, and in other rural areas, the blackout disrupted work and disrupted the lives of many who rely on animals and suffered other damage. "The toll, for a lot of these people, is not going to be felt until this is all over," says John Wilson, the head of St-Jovite's emergency operations committee. In St-Jovite, Siméon noted that many are agitated after Christmas as a result of credit card debt—and many people living without an income during the blackout. "It's going to be rough," he acknowledges. But the mayor, who plans that he can now add "chaos management" to his curriculum vitae, is confident that people will bounce back. "We've surmounted one crisis," he said. "We'll go through the second one."

With JOHN DAUNTON in Ste-Anne-de-Pré

Another kind of damage

Lloyd Grant says he is one of the lucky ones. Even though early January's frozen ice storm plunged his home into darkness for eight days, the Petite Côte, Que., electrical engineer emerged from the crisis relatively unscathed. In the end, the damage amounted to no more than some spoiled food and the collapse of the electrical cable that supplies his home of residence West Island. His total insurance claim, he expects, will amount to no more than \$500. But Grant, 65, may take another bit last November when he reviews his insurance policy. To help cover the industry's unprecedented bill for the snow-impacted damage to much more than \$200 million in Quebec alone—his premiums may rise. And after 30 years without a claim, that is not a prospect he relishes. "I pay a lot for home insurance," he says. "I wouldn't be happy if it went up."

With claims already exceeding \$400 million, the storm is easily the most expensive catastrophe ever faced by Canada's insurance industry. In contrast, last year's Manitoba flood—with damages of \$600 million—cost insurers a relatively modest \$10 million.

Thanks largely to the fact that most homeowners policies do not cover flooding. Up until this year, the hailstorm that hit Saginaw in 1991 stood as the industry's costliest natural disaster, generating payouts of \$342 million. But the storm's destruction promises to dwarf those amounts. Most claims so far have been small, averaging \$250 for spoiled food or cars dented by falling trees. But claims for more serious damages are beginning to roll in, and some insurance companies may decide to spread the cost among policyholders throughout Canada. "That's a possibility," says Robert Tremblay, a spokesman for the Insurance Bureau of Canada, an industry trade group. "Some insurers have already indicated that premiums are likely to increase."

That is partly because insurance companies could well face rising rates from

their own insurers. Reinsurance firms sell coverage to so-called primary insurers to help them cushion the heavy cost of natural disasters. In the case of large insurance companies, reinsurance is typically obliged to pay the portion of damages that exceed \$50 million. Bruce Perry, chairman of the Toronto-based Reinsurance Research Council, says Reinsurance has increased the cost of reinsurance in recent years, increasing the odds that the ice storm will boost rates for primary insurers. And if the number of natural catastrophes around the world increases this

year because of fluctuating climate patterns, as the Gartner Group's famed Munich Reinsurance Company predicts, the chances are even greater that reinsurance rates will rise. According to Perry, that is at least part of the reason insurance is likely to be passed onto consumers.

A handful of consumers are already preparing their claims. In the case of the fire rates, AAA Canada, Quebec's largest property and casualty insurer, says its Quebec rates will probably rise. On the fire rates side, the rate increase for the last year was partly by competitive pressures, says Pete Karagiosopoulos, spokesman for Scarborough, Ont.-based State Farm Insurance Co. "If rates are so out of skew for our company," he says, "they'll likely lose business."

With an eye on consumers, a few firms have vowed to freeze premiums for clients hit by the storm. "This gesture of support for our customers," says Lyn Witham, of Toronto-based Zurich Canada, "if damage costs soar beyond early estimates, however, such premiums may go out the window."

"I think some companies are doing a PR thing right now," says William Williams, an independent insurance broker in Montreal. "But I think they'll have to recoup some of their costs sooner or later." When they do, that money is bound to come out of consumers' pockets.



Millions more premiums could rise

JOHN SCHOFIELD

Power to the people

An experiment turns sour for the B.C. NDP

BY JENNIFER HUNTER

For the past three months, Prince George, B.C., has been a community furiously divided. Mean-spirited arguments have broken out between normally civil neighbors, the business section of the local daily newspaper has been filled with invective ("Don't swallow the lies and deception," said one reader missive). A popular talkshow host is being sued by the indie local MLA. Public meetings have been snafued with rancor, and even good seats have been delayed by readers. "I won't say we're Northern Ireland," says one observer. "But this is weird."

The reason for the rowdyism on civility in the city of 80,000 people, 500 km north of Vancouver, is a piece of 1994 legislation, the Recall and Initiative Act. It allows citizens to recall—that is, ouster—their provincial politicians. All that is needed is a petition carrying the names of 40 per cent of a riding's registered voters. In Prince George North, the target is Paul Ramsey, member of the ruling NDP and Premier Glen Clark's minister of education. A group of 350 has worked on the campaign since November, claiming to list 15,000 signatures. But Ramsey "has not adequately represented the citizens of Prince George North." The deadline to collect the necessary 8,000 signatures is Feb. 3. "Politics is a blood sport in B.C.," says Ramsey. "I'm trying not to take it personally, but some of the comments have been very brutal."

Ramsey's wife, Heidi, has refused to read the newspaper or watch newscasts. And Ramsey is suing Prince George talkshow host Ben Meisner and Vancouver's *Province* newspaper because he claims they erroneously attributed a critical quote to him. (Both the newspaper and Meisner have apologized.) The recall campaign is also targeting two John Young, a professor of political science at the University of Northern British Columbia, has caused discord for the recall group. "We've been called everything from animal names to prostate cancer," he says. A similar scenario, meanwhile, is going on in the town of Terrace, B.C., notably 800 km from the seat of Prince George, where NDP MLA, for the Skeena riding, Helmut Giesbrecht, is fighting the re-elected so-called Grand Helmut campaign. The incumbent's petition says Giesbrecht "re-



Skeena: some citizens are deeply split over the recall issue

fused to listen to, or represent, the people of Skeena riding on numerous critical issues."

The recall legislation was passed by the NDP following a referendum in which 80 per cent of B.C. voters said they were in favor of such a law. It had been introduced by the Social Credit government of premier Rita Johnston—which went down to defeat at the hands of the New Democrats in 1991—and it took several years of consultation about the ethics of Johnston's predecessor, premier Bill Vander Zanden, Johnson borrowed the idea from the Reform party that

its roots are more firmly planted in the United States, where recall was born at the turn of the century during the progressive movement and is now a feature of local government in states west of the Mississippi River. The idea did surface briefly in Canadian history: Alberta premier William Aberhart introduced recall in 1935, although he re-pulled it a year later when his own seat was threatened.

In the volatile world of B.C. politics, though, recall adds a new element of unpredictability. "This is part of the populist man-

nerent," explains Paul Tremont, professor of political science at the University of British Columbia. But, adds Tina Plouffe, a former Reform party adviser and now a political science professor at the University of Calgary, it has been "slipped into the highly polarized, class-warlike politics of British Columbia—where the temperature of politics is hotter than anywhere else in the country." The government is clearly disarrayed by the effect of the legislation. "Unfortunately, many of the public proposals of recall turn out to represent special interest groups and failed politicians who plan to use recall to ouster the last cabinet," says a confidential government document from Clark's office, obtained by *Northern Exposure*. "If they are successful, they throw our system into chaos."

The NDP tried to make recall as difficult as possible. In the United States, usually the signatures of only 15 to 25 per cent of voters are needed, compared with British Columbia's 40 per cent. The B.C. law also says recall proceedings cannot take place until 18 months after a provincial election—usually when there is less voter interest. But the law provides no defined parameters on why a politician could be recalled. That fact was highlighted when a second recall petition was launched against Giesbrecht with the words: "Because we can't blame everything on Eli Nita, Helmut Giesbrecht should be called to account for the current state of affairs in Skeena." The man who filed that recall, John How, eventually withdrew his petition, noting that "the legislation is a travesty of the democratic process."

That may be true but it is still one the NDP must fight on the ground. "Go on the attack," the document from the government's office advises the two MLAs who are targeted. "Identify the enemy, define their agenda and ask embarrassing questions. Where do they get their money from? Who do they represent? Why can't they accept the verdict of the people and get on with their lives?" Some of the answers are obvious. Leslie Seaton, who is spearheading the Giesbrecht recall, has worked for the federal Reform party. The neoconservative Canadian Taxpayers' Association has also donated about \$11,000 and provided advice to the two recall campaigns, which each have spending bills of about \$27,000. Some of the recall workers are supporters of a Christianite, pro-life activist named Ken Sangster, who is opposed to the discussion of sexuality in B.C. schools. Many, however, are ordinary citizens.

Organizers for both the Prince George North and Skeena recalls argue they are only dissatisfied with their local MLAs. But a observers note that, regardless, the campaign is a scandalizing act with the NDP. "In the Prince George case, it's not

Ramsey as MLA that they are after—they are after the whole government," says Tremont. The NDP has certainly fanned the flames. In fact, the notorious slip-over of the province's finances—before the 1996 election the government declared a surplus, but within two months of the vote, announced a deficit of \$300 million—has led to

breaching the Criminal Code by diverting money from charity causes. Meanwhile, British Columbia's economy is in trouble. Local companies are laying off thousands of workers, and many are closing every-

But as B.C. historian and journalist David Mitchell concludes, there is more to recall than mere dissatisfaction with the

NDP. "It's not simply a focus against this government," he says, "but it's all kinds of post-9/11 anger with the political system that could be directed against any government." Whatever the reasons, Ramsey and Giesbrecht will not know their fates until Elections B.C. verifies the signatures on the recall petition, a process that will take six weeks. "Ultimately, I think people in my riding think I've done a good job," says Ramsey. Giesbrecht, meanwhile, concludes "I don't think they have the numbers to win." But the recall campaigners claim the opposite. "I think we've already won," says Shelley Lander of Recall Skeena. "All at a sudden, we have the power to hold politicians accountable." Only one thing is certain: political life in Prince George and Terrace will never be the same—and that, too, can't be blamed on Eli Nita. □



Giesbrecht (left) Ramsey: fighting, considering voter anger

a case before the B.C. Supreme Court. David Starkey, a partner in Kelowna, and his backers, Helmut's Lyngak Publications, are claiming the NDP conspired to fraudulently manipulate voters about the budget. Another B.C. Supreme Court case last month found the government guilty of

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A greener Ottawa?

What we need is another Chernobyl," was the ominous cry heard over the office phones of Ottawa's largest environmental ministry throughout the mid-1990s. The department that had been formerly called the "superministry of the future" during Brian Mulroney's second term found itself beset and beleaguered under coach John Crosbie while he sought the Green Defeat War. Green politics withered in Liberal Ottawa. By the time Crosbie tapped little-known Ontario MP Christine Stewart to take the Environment post after last June's election, the department's bureaucrats were a gloomy, weary, demoralized bunch.

Then, along came Kyoto. Another the glitz with which Rivkin senior officials greeted all the attention given to last fall's negotiations at a UN treaty to fight global climate change. No, this was not Chernobyl! Yes, the Liberal government seemed dead and confused by the time, and Stewart took a painful, appalling fall in it. But last December's international agreement on reducing greenhouse gases at least got the environment department back in the

Environment's renewed importance was quickly apparent to those who understand how Ottawa works. In the run-up to the Kyoto conference, Paul Trudie, a former Clerk of the Privy Council who is now chief executive of Canadian National Railway, showed up at Environment Canada office to point out that transporting goods by rail instead of road was a great way to lower the amount of carbon dioxide pumped into Canadian skies. Trudie was seeking changes to the capital cost allowances that would permit CN to build new rail lines—and the revived green consciousness in Ottawa looked like the best leverage he needed to get the money at Trudie's command to them for support—as the country's top rail servant, he had been their former boss, after all—was not lost as environment officials.

But at the Kyoto conference was a lifeline to a funding department, it also raised nerves about the feet of a government that time to rise had as authority as any would. The Liberals stumbled through the fall session, unable to broker peace between

competing economic and environmental interests. Many provinces rebuffed at Ottawa's shaky leadership. And the last session of parliament reached in Kyoto, where Ottawa pledged to reduce its greenhouse gas emissions by six per cent over 12 years and now must seek consensus from big industry and the provinces on how to get there, means the issue should torment Clarkin through its second term. "We're talking about a 12-year pollution control program," says one official, explaining what they should see as a massive shift in the way Canadians use energy. "This is about a long-term plan to radically increase our energy productivity. And we don't know how to do that."

One problem is that Stewart's very efficient department has the political demands of her job. Some of her own officials complain she lacks decisiveness and direction and, for a while, they worried that Crosbie would strip her of responsibility for meeting the Kyoto targets. That now seems unlikely, at least. Though Natural Resources Minister Ralph Goodale will continue to share control of the issue, Crosbie is also mulling over the idea of creating a special cabinet minister to lead the nation's three trade negotiators in efforts to develop climate change policies.

The best indication of how Ottawa will proceed on climate change—and on other far-reaching environmental issues—could come as early as the end of this week, when Christine was scheduled to announce a "fast-track agreement" on environmental negotiating with the provinces. The deal would give the two levels of government to decide, on a case-by-case basis, which would take responsibility for enforcing regulations, but Christine's big Ottawa caucus re-opens at the idea. Why not control all the environmental issues? Trudie's environmentalists have been talking about this for some time.

Environmentalists agree, maintaining that the provinces can't be trusted, and insisting the deal would curb Ottawa's powers. It also underscores the tension at the heart of this government, the collision between Christine's desire to cooperate with the provinces, and his growing understanding that Ottawa needs to find new ways to share it in relevant.

Canada NOTES

SALMON SOLUTION

In July, B.C. fishermen blockaded an Alaskan ferry in Prince Rupert for three days in a dispute over salmon quotas. Alaska later launched a \$5-million lawsuit against the fishermen who in turn counter-sued. But last week, federal Fisheries Minister David Anderson announced a \$2.7-million solution to Alaska's fishing dispute. The deal is a win-win for both sides. In return for the fishing rights, the deal allows Ottawa to spend \$1.3 million over nine years to lower docking fees in Prince Rupert—announced solely for Alaskan fishery services. The deal also calls for Ottawa to spend \$1.3 million to promote tourism in Alaska, northern British Columbia and Yukon—and stipulates that B.C. fishermen must also lose their legal action. At week's end, the United Fishermen and Allied Workers Union said it needed time to study the offer.

DRUG PROTECTION

Industry Minister John Manley and Health Minister Allan Rock proposed minor changes to drug-patent regulations. Currently, brand-name manufacturers have 12 years of patent protection. But under the old rules, a patent holder claimed patent infringement, Health Canada had to withhold a generic drug—usually substantially cheaper—for another 30 months. The two ministers agreed to cut that period to 18 months. The issue has pitted Rock, who wanted sweeping changes, against Manley, who favoured a more conservative approach.

REGAN WANTS A STAY

Former House Speaker Gerald Regan's lawyer, Edward Greenstein, argued that House Speaker Supreme Court Justice Michael H. Donald should stay charges against his client. Regan, 82, faces 18 criminal charges involving 13 women. Greenstein's motion is based on the conduct of RCMP investigators and prosecutors, details of which are under a publication ban.

GARDENS APOLOGY

Major League Gardens chairman and chief executive Steve Slava publicly apologized to victims of sexual abuse at the hockey stadium during the 1990s and 1991. Slava's president Ken Gledhill announced a support program during his consultancy last week, a study of abuse victim Martin Krueger, who killed himself in October.

The Eagle disbarred

Once again, disgraced hockey mogul Alan Eagleson has managed to avoid close public scrutiny of the shady business dealings that led to his criminal convictions early last month. By playing ping-pong to charges in the United States and Canada, including that from the players he was supposed to be representing, Eagleson avoided lengthy public trials. He chose a smaller tactic last week in the face of disciplinary hearings by the Law Society of Upper Canada, which regulates Ontario lawyers. Despite seven years of intensive investigation by Toronto lawyer Thomas Ledwode, the society decided to bury any evidence of wrongdoing.

Instead, in a deal agreed to beforehand, Eagleson was disbarred and all 14 charges against him were dropped. He had to act "with honesty and integrity," were stopped. But for Eagleson, 64, the penalty may have little real meaning. His lawyer, Brian Greenstein, and the Eagle has not practiced law for a decade.

Eagleson's trials are not over. Last week, a Philadelphia judge ordered that a collusion and racketeering class-action lawsuit, launched



Eagleson in jail: deal-making and avoiding public scrutiny

against him by five former NHL players on behalf of 1,200 others, can proceed. But for now, Eagleson is living low. Having just begun a 18-month sentence in a Toronto jail, he has decided not to apply for early release under a program that allows nonviolent prisoners to return to the community under supervision. While Eagleson is now eligible, Greenstein said his client's application might be "daunting" because of public anger and intense media scrutiny.

Taking heat over trade

Whether the Trans-Canada trade mission to Latin America was successful depends on how that success is measured. According to the federal government, the 13-day trip to Mexico, Brazil, Argentina and Chile, which ended last week, resulted in \$3.75 billion in deals—close to the \$8 billion Ottawa had predicted. The figure, however, drops to \$1 billion, including \$800 million in firm contracts, when using different accounting methods employed by Ottawa last year for a trade mission to Korea, Thailand and the Philippines. "We have the right to disagree," Prime Minister Jean Chrétien's spokesman said, but what is important is not the amount of money, it's the number of contracts we have signed."

Because of the severe ice storms in eastern Ontario and Quebec, Chrétien joined the trade mission late last year. Premier Paul Robitaille, who was Quebec's Lucien Bouchard stepped behind. The Prime Minister's initial absence resulted in some grumbling among the 500 Canadian business people who participated. And the trip, which ended with more than 200 signed deals, was dogged by its dear share of bad publicity. Alberta Premier Ralph Klein was pictured with a smokers after playing golf in Argentina, while New South Wales Premier Russell MacLellan and federal Trade Minister Sergio Marchionni were photographed poolside in swim trunks—even as other Canadians endured power outages.

CAN HE SURVIVE?

BY ANTHONY WILSON-SMITH

To anyone visiting Washington from another country—or planet—last week, it might have made perfect sense to conclude that there are two Bill Clintons. The first is the poised, articulate, intelligent man who has presided over the United States for five years with—no overstatements—acknowledged—commodious skill and imagination. He is exceptionally well read, especially on historical issues, flights in complex policy debates, and is fond of quoting from the Scriptures. That Clinton spent part of last week brokering peace efforts in the Middle East in meetings with Israel's Benjamin Netanyahu and Palestinian leader Yasser Arafat. He was, until Secretary of State Madeleine Albright, "completely focused" on that task.

Then there is the other Bill Clinton—a creation of either scandalous fact, scurrilous fiction, or perhaps a disturbing mixture of both. Purely or not, this one appears in his private life, to be a crude, animal and apparently tasteless sexual predator whose favorite targets are women who are much younger, Asian and lower in social standing—and therefore especially vulnerable. And that was the image conveyed to the public last week, as fresh allegations surfaced that Clinton had an affair with a 21-year-old White House intern—and that he and a senior adviser, Vernon Jordan, then asked the young woman to lie and deny the relationship. Should those claims be true, many observers said, they could spell the end of Clinton's presidency. Even his former confidant and adviser, George Stephanopoulos, now a consultant to ABC television, conceded "If they're true, they're not only politically damaging, but it could lead to impeachment proceedings."

Who is the real Clinton, and can he continue to stand up against the latest storm over his private behavior? At week's end, the President's own advisers seemed torn about the answers—as well as the best way to respond to the questions he faces. "It's turmoil," one White House aide told *Maclean's*. "We've been told to concentrate on work and not to discuss it, but there's no way." Although Clinton denied all allegations, he did so with caveats that were brief and sometimes elliptical. As the controversy unfolded, some aides wanted Clinton

Allegations of a new sex scandal—and possible perjury—rock Clinton's presidency



Lewinsky (left), ex-lover of Clinton; Mary McCormack seemed less concerned by what Clinton may have done sexually than by the suggestion that he lied about it



to hold a news conference dealing directly with the issue. By that plan, he would respond aggressively to speculation that he had an adulterous affair with the first intern, Monica Lewinsky—who made the claim in taped conversations with a supposed friend, who turned them over to special prosecutor Kenneth Starr. In those tapes, Lewinsky indicated she was being pressured to lie, and later she denied the affair in a signed affidavit and again to Starr's investigators. A senior official with close links to the White House told *Maclean's*: "The President's political advisers believe that he must act immediately in some very forceful way to tell the nation exactly what happened."

But not everyone agreed with that approach. The same source added: "His legal advisers are cautious: they don't want him to talk now because it could limit their options." Instead, they urged the President to say little until Lewinsky gives her version of events in a new legal deposition, expected this week. Her lawyer, William Ginsburg, advised Starr, who is probing a series of allegations concerning Clinton, a deal in which she would gain immunity from prosecution in exchange for changing her sworn testimony and confirming that she had an affair with Clinton. She would not, however, say Clinton or Jordan asked her to lie. Starr rejected Ginsburg's initial proposal.

Meanwhile, Clinton, too, has testified under oath that he did not have an affair with Lewinsky. He did so as part of the same case in which Lewinsky made her sworn denial, the actual harassment suit filed against Clinton by former Arkansas state employee Paula Jones, whose allegations have already damaged the President's image. If Lewinsky now testifies that such a relationship did take place, the President could face a felony charge of perjury. And if the claim is true, that he advised her to lie, it could be considered obstruction of justice. That is why impeachment—the process of charging a president with a high crime—was considered a possibility.

The allegations that caused the storm are straightforward, but difficult to verify. Lewinsky, the daughter of a wealthy Beverly Hills, Calif., couple who divorced acrimoniously when she was 14, went to work in the White House as an unpaid intern in 1995. She was given a job membership notes in a small office near the President. Shortly before the 1996 presidential campaign, she moved to a full-time job in the public affairs section of the Pentagon. There, she sought out a White House acquaintance who had already moved there—Kisha Trapp—and the two became friends. In telephone conversations with Trapp over the next two years, Lewinsky repeatedly asserted—sometimes giving graphic details—that she was having an affair with Clinton within the confines of the White House. Unbeknownst to Lewinsky, Trapp—who first began work in the White House when the allegations were in power—taped more than 80 hours of those conversations. She then gave them to Starr.

At that point, the issue was still supposed to be secret. But details of the case, and Starr's investigation, became known to Michael Isikoff, a

SPECIAL REPORT

reporter for *Newsweek* magazine. He obtained copies of some of the taped conversations. The magazine initially planned to publish his explosive story as its edition of last week. At the last moment, the story was pulled by the magazine's editors, partly they said, due to an appeal from Starr and partly because the editors questioned Lewinsky's credibility. By then, rumors of the story's contents were rife within Washington—and shortly after that, they were reprinted in the *Denver Post*, a newspaper published on the Internet by California-based writer Matt Drudge. The news moved into the mainstream media within an hour—and *Newsweek* thus released details of its story on the Internet.

Even in cynical Washington, the secret Clinton scandal caused a sensation. The media left no stone unturned, exposing landmines that referred to "sex, lies and videotape" and the inevitable "Spengert." Within Clinton's inner circle, his most important supporters—his wife Hillary—deflected him unequivocally in public. She was emerging as the leader of the damage-control efforts. Many of his closest advisers also stood behind him. But a spokesman for Vice President Al Gore initially said Gore would not comment—although he is usually one of Clinton's most enthusiastic cheerleaders. The Vice President later asserted that "the President said the charges are untrue and I believe him." Conversely, key Republicans were surprisingly restrained, with House Minority Leader Newt Gingrich, among others, giving cautious word but full details were known.

Clinton's details were for once unapproved. In related interviews, he



Tripp a 'friend' who made 20 hours of secret tapes

that by the possibility that he lied about it. That opinion was repeated repeatedly on radio phone-in shows and in surveys. In fact, those statements mirror the legal strategy, while adultery is not a felony, the act of obstructing someone to lie under oath is a criminal offense. The U.S. Constitution says the President "shall be removed from office on impeachment for, and conviction of, treason, bribery or other high crimes and misdemeanors." Although that language is open to interpretation, most observers agree that if Clinton was formally charged with perjury he would face intense pressure to resign or be impeached—before the case went to trial.

regretfully used the present tense to say "There is not a secret relationship" with Lewinsky—which stopped short of saying there had not been one in the past. Clinton also said that there had not been an "ongoing" relationship. But Lewinsky reportedly to have said to Tripp that Clinton posed all and said—did not consider that such an act constituted adultery. Clinton's history of making minuscule distinctions in his public statements—such as his infamous assertion that he "didn't cheat" when he was once making marriage during his student days in England. And at least one person—Gennifer Flowers, who in 1992, became the first woman to claim publicly that Clinton had an affair with her—insists there is no reason to believe that Clinton may have asked Lewinsky to lie about their relationship. Flowers told CNN, "He certainly encouraged me to participate in a cover-up."

Outside official Washington, many Americans seemed less concerned by what Clinton may have done sexually than by the possibility that he lied about it. That opinion was repeated repeatedly on radio phone-in shows and in surveys. In fact, those statements mirror the legal strategy, while adultery is not a felony, the act of obstructing someone to lie under oath is a criminal offense. The U.S. Constitution says the President "shall be removed from office on impeachment for, and conviction of, treason, bribery or other high crimes and misdemeanors." Although that language is open to interpretation, most observers agree that if Clinton was formally charged with perjury he would face intense pressure to resign or be impeached—before the case went to trial.



The Clintons go to court the day after his Paula Jones deposition: 'Spengert'

Hillary Clinton defended her husband unequivocally

Some observers say that Americans' blasé feelings about adultery will not quickly if the allegations are proven. "The American people care more what he did back in the days when he was governor of Arkansas," said Michael Bryce, a Virginia-based pollster who does consulting work for the National Democratic Committee. But, added Bryce, if Clinton committed indiscretions within the White House—and with someone not much older than his own 17-year-old daughter, Chelsea—voters will lose confidence in his judgment. In this event, said Bryce, "The question would have to be asked: do we trust this man as leader of the country?"

In the eyes of some Americans, the answer has always been a resounding No. More than perhaps any other American president in recent history, Clinton, despite high approval ratings, evokes intense ordinary hostility from a devout segment of right-wingers. And some have been at the heart of the series of attempts to link Clinton with graft and sexual escapades in his days as governor of Arkansas. The sexual misconduct suit of Paula Jones, who says that Clinton exposed himself and asked her for oral sex in a hotel room while he

was governor of Arkansas, has been paid for and organized since last fall by the right-wing Robertson Institute of Charlottesville, Va. Prior to that, Jones's previous lawyers thought they had worked out a settlement—but Jones, after meeting with lawyers provided by the institute, held out for harder terms that include a public apology by Clinton.

There are also questions concerning the role and intent of Linda Tripp, the woman who taped Lewinsky's diaries of her liaisons with Clinton. Among those what kind of friend tapes intimate and personal conversations, and allows investigators to sniff her with a body wire to monitor their such tapes? The 49-year-old Tripp, who holds a high-level government security clearance, appears to have had a variety of motives. She has said she recorded being called a liar by Clinton's attorney, Robert Bennett. That occurred after she suggested last August that she had seen another woman, White House staffer Kathleen Willey, leaving Clinton's office with unwashed lipstick and looking "disheveled . . . happy and joyful." But Tripp also confessed to using a telltale look on the White House, and gave copies of the tapes to Lianou Galtchik, a friend and New York City book agent who since was paid \$1,000 a week by a representative of Richard Nixon to say on his Democratic rivals. Bennett suggests that Tripp is part of a planned "smear" by political enemies, and some more neutral observers suspect the same. Says law professor Stephen Wayne of Georgetown University, "It smells me as a setup."

Now, Clinton must hope that Lewinsky sticks to her denial of a relationship with him. Yet even if she does, investigators for Starr will continue a string of troubling questions about the President's relations with the now 24-year-old woman. Some White House officials have suggested that she was drafted to the Pentagon because of concerns over the nature of her relationship with the President. She often behaved in a flirtatious manner toward Clinton; other interns said she frequently flirted with other men; and she often said she and Clinton gave her Lewinsky is reported to have stated that the White House several times since January work there for what were described in White House logs as meetings with Betty Currie. Clinton's personal secretary, investigators will ask Currie whether those visits were made to see her, or someone else. Last week, Jordan, Clinton's close adviser acknowledged that he had a relationship with Lewinsky and a new job with Berlin Inc. in New York City after which was revealed as soon as the scandal broke. It also helped her find an attorney after she received a subpoena from Jones's lawyers. That began the question of why Jordan, one of the basest and most influential power-brokers in Washington, would do such favors for someone who seems relatively inconsequential to him.

And investigators say Lewinsky played Tripp a tape of a personal phone call from Clinton—Lewinsky, in turn, also recorded. According to those sources, Lewinsky also said Clinton gave her gifts that included a navy blue dress, a gun and a book of Walt Whitman poetry. Investigators last week used subpoenas to seize a variety of such items from Lewinsky's Washington apartment. They include mementoes from Cape Cod—where Clinton vacationed with his wife and daughter every summer—and the blue dress. It was reported that the dress will be sent for warm stains because Lewinsky allegedly laid it on a towel she wore during a sexual encounter with Clinton. As well, investigators ascertained that on at least seven different occasions, Lewinsky sent packages via courier from her home to the White House, as addressed to Clinton's secretary, Carter.

Lewinsky remained in seclusion last week. In her absence, the

YEARS OF SCANDAL

From the time he began campaigning for president, Bill Clinton has been dogged by scandal. A brief update:

GENNIFER FLOWERS: At the outset of the 1992 campaign, the former lounge singer claimed she had a 12-year affair with Clinton, which he denied. But in a deposition in the Paula Jones case on Jan. 17, Clinton reportedly admitted the affair while denying it lasted 12 years.

PAULA JONES: The trail is set for May as the sexual harassment suit brought by the former Arkansas state employee. Now backed by a right-wing institute, she claims Clinton propositioned her while exposing himself in a hotel room when he was Arkansas governor.

WHITNEY DEAN: Special prosecutor Kenneth Starr has spent nearly four years examining 181 and Hillary Clinton's real estate and other deals in Arkansas. He claims White House staff working has prevented him from getting to the bottom of it.



Foster, Foster (below): conspiracy theories, real estate deals—and claims of a cover-up

CAMPAIGN FUNDING: The justice department and Congress continue to investigate the tangle of allegations that Clinton and Vice President Al Gore broke the law in raising funds for the 1996 campaign.

TRAVELGATE: Special prosecutor Starr pinned Hillary Clinton's role in the firing of seven White House travel office employees in May 1993. But although one of her people was caught lying about it, no charges resulted.

FILEGATE: The re-emergence of how confidential FBI files on Republicans were obtained by low-level White House officials resurfaced when Starr questioned Hillary Clinton about it under oath on Jan. 14. The White House said it was all a mistake.

VINCE FOSTER: Conservatives and conspiracy theorists have speculated that the death of White House aide Vince Foster in 1993 was a murder somehow linked to Whitewater, but Starr concluded in an October report that the depressed official killed himself.



conflicting sides painted different images of her character—ranging from a shy, naive girl to a bubbly, cherry flirt who favored tight blouses. Former classmates at Lewis and Clark College in Portland, Ore., described her alternately as plump, pretty or beautiful, but decidedly average in her interests and intelligence.

Ultimately, though, the character and actions of the American President are at issue, not those of Lewinsky. The real problem for Clinton is that Lewinsky is just the latest in a series of women with whom he has been linked. They include Jones,

Powers, White House employee Willey, and former Clinton high-school classmate Delyl Browning, who has given a deposition as Jones's case saying she had a three-decade-long relationship with Clinton. Even Lewinsky reportedly complained on the tapes that Clinton cheated on her with four other women during their relationship.

Still, none of these allegations have yet been proven. And even as they mount every more by Clinton, some members of the media argue that they should do the same rehashing of themselves. The result of the growth of the Internet is that information now travels the world almost instantaneously—whether or not it is analyzed and verified. That is the case with *The Drudge Report*, whose author concedes that he cannot verify any of the tips he receives. Yet after Drudge has leaked some details about Lewinsky, the mainstream U.S. media swallowed their concerns and immediately followed suit.

On the entertainment side of the media, Clinton faced a different kind of reaction—attacks. On the Comedy Central network, host Craig T. Nelson said Clinton "President Bush-Ford" while popular NBC late-night host Jay Leno labeled him "The Chugaburger." Added Leno: "Only President Clinton could divert attention from a sex scandal with another sex scandal."

Around the Oval Office, of course, no one was laughing. Aides around the President were spending his time finishing up his state of the union address, which he is scheduled to deliver on Jan. 22. The speech was supposed to offer a crucial opportunity for Clinton to lay the groundwork for his final three years in office—a time in which he seems to leave his imprint on history. But there are two problems. One is that Clinton's place in history may already be secure for reasons he does not want. The other is that one key element of the speech may no longer seem appropriate: The planned theme: the need for citizens to trust in their government.

With WILLIAM LOWMYER at Washington

INSIDE THE STARR CHAMBER

A senior White House adviser put it bluntly. Last week's sensational allegations of Oval Office sex and cover-up, he said, "will run Bill Clinton if they are true—and Kenneth Starr if they are false." Starr, the controversial White House independent counsel, has led his career on the line by aggressively investigating the taped assertions of former White House intern Monica Lewinsky. Despite nearly four years of digging into a slew of accusations against both Clinton-

president-President George Bush made him solicitor general, the government's top lawyer. Starr argued powerfully before the Supreme Court against abortion rights, and although he lost he became a key ally of the women's movement. Many in Washington had considered it only a matter of time before a Republican president nominated Starr for the Supreme Court. But after his abortion prosecution, it was clear that liberals in Congress would block his confirmation.

Returning to the private sector, Starr was snapped up by a Chicago law firm at more than \$1 million dollars a year. He is said to be brilliant at arguing complex appeals for big business. And with a Democrat in the White House, he certainly never expected another government post. He began to act for the Republican National Committee and in early 1994 gave free help to the lawyers for Paula Jones—the former receptionist who is suing Clinton for sexual harassment. Yet in August of that year, when New York City lawyer Robert Fiske resigned as special Whitehouse prosecutor, Attorney General Janet Reno asked Starr, in a pointed display of bipartisanship, to take his place.

His job is to probe all that has become known as "Whitewater," from Clinton's real estate deals to political favoritism. While Starr has convicted a number of Clinton cronies and spent \$49 million, he has never been able to pin any wrongdoing on the First Couple. But he has pushed so hard to link the Clintons to illegal activities that, during the 1996 campaign, Clinton charged that the special prosecutor was "out to get the First Family."

After gaining Reno's approval to expand his mandate, Starr moved on the latest allegations with his usual intensity—allowing the FBI to secretly tape Lewinsky as she talked with a friend. "Many prosecutors would think this is a risky area of investigation," says Lawrence Walsh, independent counsel in the 1980s in Clinton's investigation. In fact, Starr's pursuit of the Lewinsky allegations has given them much of their credibility. If they grow to be false, his many detractors will howl for his head. Asked last week what he thought of those prospects, Starr replied: "We're acting properly and within our jurisdiction. It was a typically cool response that misled a number of the hunt."

WILLIAM LOWMYER in Washington

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What are you doing after work?

Power and the JFK syndrome

BY BARRY CAHILL

White House dalliances are nothing new—but Clinton's are far more public

Bill Clinton has never been shy about drawing comparisons between himself and John Fitzgerald Kennedy. The 39th president of the United States has, in fact, always claimed that it was America's 35th chief executive who inspired his long trek from the little town of Hope, Ark., to the White House. It was certainly no accident that Clinton chose to underline the point during his own Democratic party nomination in 1992, when his campaign team released a 29-year-old film clip capturing a brief Rose Garden handshake between then-President Kennedy and a bright-eyed, 17-year-old Clinton. But if that scene was selected to symbolize the passing of the torch, the current President may be having second thoughts. For the comparisons now being drawn between Clinton and Kennedy are far more anatomy. "They seem to share the same news about sex," says Washington-based journalist and author Seymour Mervin. "The big difference is that Kennedy got away with it. Clinton may not."

Right from the outset, the man who is now sitting at the White House has labored under a shadow. "Slick Willie" they called him during the early days of his run for the presidency, an epithet that owed as much to his reputation as an unrepentant womanizer as to his penchant for avoiding direct answers to hard questions. His first promise to national primetime not simply as a candidate for the highest office in the land but, rather, as the presidential contender with the murky past, an adulterer, the alleged lover of an obscure songstress. That Clinton not only survived Gennifer Flowers' charges but went on to defeat a sitting president and then, four years later, win re-election is testament to his political appeal. But despite his triumphs, Clinton has never quite been able to shake the suspicions that linger about his character. And all of these old doubts are now resurfacing as a result of the Monica Lewinsky affair.

Even if Lewinsky's allegations were to prove untrue, it is likely to be some time before Clinton's presidency recovers from the wounds that have been inflicted. Certainly, the US news media and the Washington establishment already appear to have found the Pres-



Clinton shakes hands with Kennedy in 1992. They seem to share the same recklessness about sex.

ident guilty. "There is a general feeling that something must have happened with Monica Lewinsky," says Michael Uhlmann, senior fellow at the Ethics and Public Policy Center in the US capital, "but so far there is wide acknowledgment that something happened with all of Clinton's other women, from Gennifer Flowers to Paula Jones." The question that remains is precisely what that means for Clinton's ability to govern effectively. "What it boils down to," argues Uhlmann, "is a feeling of whether or not other people are going to continue to forgive the president his many dalliances or finally say, 'Enough.'"

As far as US presidents go, Clinton is certainly not the only sexual adventurer to occupy the office. The list is long, including many of the country's most distinguished leaders. Thomas Jefferson, the third president, is on it, as is Andrew Jackson, Franklin Delano Roosevelt and Dwight Eisenhower. Presidents from James Garfield through Lyndon Johnson to George H.W. Bush have been accused of at least brief



John Campbell Exner with three-husband Bill Clinton in the 1990s; Monroe (right) Abertine partying and almost daily liaisons

straying. Historians claim that Warren Harding forced a White House chaperon to his trials with paramour Nan Britton. Johnson was said to have slipped into bed with an ex-lover one night with the line, "I don't worry, honey. I'm your President." And Grover Cleveland was actually driven from office, in part because he was alleged to have fathered an illegitimate child. "So, Ma, where's my Pa?" was a daily of the time. "Going to the White House. He. He. He."

But of all US presidents, it was John Kennedy who seems to have been most obsessed with sex. JFK's first affairs, with actresses like Marilyn Monroe and lesser lights like Judith Campbell Exner (whom he shared with cash boss Sam Giancana), have gradually emerged into the public realm over the past seven decades. But it was not until Herby's polemic was turned back to the White House, last year that the full extent of the late president's appetites became known. "As private," Herby writes, "Kennedy was consumed with almost daily sexual liaisons and libertine partying, to a degree that shocked many members of his personal Secret Service detail. The sheer number of Kennedy's partners, and the recklessness of his use of them, eventually threatened his presidency. The women—sometimes paid prostitutes—would be brought to Kennedy's office or his private quarters without any prior Secret Service knowledge or clearance."

Herby claims the president's womanizing was widely known among White House staffers. Not least was Kennedy's fondness for hairbrush skinny-dipping in the White House swimming pool with a pair of young female staff aides known to the Secret Service as "Bible and Pulpit." His procreant proclivities were also well known to the Kennedy family. "I was a Kennedy's Secret Service agent," Larry Newman has written. "I was certain knowledge in the White House that when the president took lunch in the pool with Bible and Pulpit, nobody was in there." The president's brothers, Bobby and Ted, often joined in. According to Newman, as quoted by Herby, these aquatic trystings never occurred when the president's wife, Jackie, was in the White House. "When she was there, it was no fun," says Newman. "The part had been taken."

Yet none of Kennedy's sexual escapades ever surfaced into public view. Unlike Clinton, JFK enjoyed the protection of an oppressive cloak of confidentiality. "It was a different time, a different era," says Herby. "Even those journalists who may have had an inkling about what was going on in Kennedy's White House didn't write about it. In those days, the American people adored their president. He was a fig-

ure to be looked up to and admired, not torn down." Sooner. The American presidency today is a much diminished institution. And Herby, like many others, blames that sad state of affairs on three individuals who occupied the office: Kennedy, Johnson and Nixon. They are really responsible for dragging the presidency down from its lofty perch. "They gave us first Vietnam, then Watergate, turning Americans into a nation of cynics."

In Kennedy's time, the American media, too, was a far different institution than it is today. Vietnam and Watergate transformed the relationship between the press and the presidency, turning the two into adversaries. When Kennedy arrived, there was still a remnant of the charming collegiality that had existed for many years, the kind that saw the press uniformly agree not to portray wheelchair-bound Franklin Roosevelt's disability because it might cast doubt on the president's ability to govern.

It was also a time when print still dominated the media, just before the full blossoming of network television, long before the advent of cable TV's multi-channel universe. "There are simply a lot more news crosses around now than there were in Jack Kennedy's day," says Uhlmann of the Ethics and Public Policy Center. Stephen Hess, a senior fellow at Washington's Brookings Institution, argues that it is possible to track the entire change in public attitudes about the president's behavior to the gradual shift in media focus away from print toward network television to cable. "It's a function of the competition for the stories and the images to fill the screens on those 50 channel TV sets," he says. "The competition has been steadily increasing since the 1970s. And so this increased, so has the sizeable for the juicy stuff."

It is perhaps no accident that it was precisely this era that witnessed the fall from grace of Gary Hart, one of the first modern-day American politicians to lose his political career as a direct result of sexual peccadilloes. The former senator from Colorado and onetime presidential aspirant made the last mistake of attempting to downplay his indiscretions by convincing the media to follow his directives. The media did just that, catching Hart in an unguarded

moment with actress model Donna Rice perched upon his lap. If the presidency and the press have changed since Kennedy's time, so too has society at large. There is, today, much more tolerance about sexual issues than there was in the past, something which demonstrates the extent to which Clinton's reputation has been presented has been winning election to the presidency. And it was a fact that Kennedy could never have matched in his day. "He would have been boozed right out of office if the truth were known about his private pleasures," says Herby. "He would never have been elected again."

But for Clinton, the change in societal attitudes in a world with two eyes is also proving much more dangerous for women, including the opportunity to participate much more fully in political and working life. And with that has come the emphasis on sexual harassment—a concept barely acknowledged in the Kennedy era. At the root of Clinton's troubles is a legal case that encapsulates the sexual politics of the 1990s. By her account, Paula Jones is suing because of the way she was treated after she said "no" to the land of behavior powerful men have pursued since time immemorial. Clinton may deny that, but there is no doubt that Mrs. Jones's suit is not in motion the chain of court cases—many dispositions that may be perceived, allegations of obstruction of justice—that now imperils his presidency. It is hard to imagine the once Clinton jaded over having to contend with such a challenge. But Jack Kennedy lived long ago, in a different time. Bill Clinton does not have that luxury. □



Exner with Clinton in the 1990s

Soul-searching in Cuba

The Pope boosts the church—and Castro

There were many reasons why Cubans turned out last week to welcome Pope John Paul II to their homeland—and not all of them were obvious. Many, to be sure, came to celebrate a Russian Catholic faith suppressed for four decades. Others were simply curious, drawn to Cuba's biggest public spectacle in years. But for two young men casting a skeptical eye on the Pope as he said mass before 50,000 people gathered in a dusty soccer field in the provincial city of Santa Clara, things were just another expression of Marxism-Leninism. Juan Manuel Ferrer and his friend Oscar Gorrado, both wearing T-shirts emblazoned with the bearded image of guerrilla martyr Che Guevara, turned out as regulars to President Fidel Castro's call to greet John Paul in a rousing reception. The church and the party, Ferrer said without sounding very convinced, have much in common: both preach moral values. And anyway, he added, nodding towards the 60,000 people listening to the Pope, "the revolution is flexible—flexible enough to welcome him."

That, at least, was what Castro was clearly hoping as he hosted the Pope with the careful attentiveness that a dutiful son might pay to an aging parent. The two men are actually close in age—John Paul is 77, Castro 71—but the Pope's frailty was on full display as the Cuban leader bowed to avoid him, gently guiding him by the arm and basking in the legitimacy granted by the presence of the world's pro-consistent moral leader. Castro had more reason to smile: even while flying into Havana from Rome the Pope condemned the U.S. economic embargo that has helped cripple Cuba's economy. And if what his message to the Americans would be regarding the embargo, he replied "To change, is change." And later, in an outdoor mass in the capital city of Havana, he denounced "the effects of economic embargoes, which are always deplorable because they hurt the most needy."

Score one for Castro, whose government blames everything from food shortages to its denial of basic political freedoms on the menacing hostility from the superpower 143 km away across the Straits of Florida. No matter that what he calls the "blockade" may be one of Castro's



The Pope and Castro at their first meeting in Havana, thanks to the U.S. embargo

biggest advantages in assisting power. By giving him a function target to blame, gives the reasoning, he can both appeal to Cuban's deep sense of nationalism and divert attention from the shortcomings of his country's crumbling socialist economy. John Paul's trenchant criticism of Washington's 36-year-old economic boycott went far towards explaining why Cuba's state-run media urged "believers and non-believers" alike to turn out. Government employees were given leave off to line the streets of Havana when the Pope arrived, and schools closed for the afternoon. Given the Communist party duty, gave John Paul the kind of honor headlines usually reserved for Fidel himself. Cheering the Pope, was the unsurpassable message, was the most revolutionary thing a Cuban could do, and John Paul was less a fierce opponent of communism than an ally against imperialism.

For the Catholic Church, the benefits came even before the Pope's plane touched down. Long pushed to the margins of Cuban society, it was able to use the five-day visit to fill the churches, win permission to hold outdoor masses, and gain unprecedented access to the media. Castro, the Catholic clergy, expanded its role as Cuba's biggest source of private aid—vital in a country where much-valued social services are under severe strain. The Cuban church is still far weaker than others in Latin America, with only about 50 per cent of the population baptized. But the church's growing role and confidence is a major step towards rebuilding a civil society outside the party-state machinery that has dominated all life since Castro's revolution in 1959. "What looks like a small step here," observes a Western diplomat in Havana, "can be really significant."

Just ask Sister Marguerite Marie Hebert, who has followed the Cuban church through good times and bad. Now 75, a tiny woman with light eyes, she came to Cuba from Quebec City about 48 years ago. It was the spring of 1959, when Castro was more preoccupied with trying out for an American baseball team than making revolution. Sister Marguerite taught in Catholic schools in impoverished rural villages until 1960, when Cuba's revolution was declared Marxist and the schools were taken over by the government. Most foreign priests and nuns left, but she and six other sisters from the Sisters of the Holy Heart of Mary order in Quebec decided to stay on. "The people told us, 'Don't leave us alone. We'll help you to live.' So we did."

The number of priests dropped from 700 to barely 200 by the mid-1960s, so many like Sister Marguerite found themselves taking their place. By the early '80s, when Castro eased up on religion, she began working for Caritas, distributing milk, clothing and medicine to the poor as the economy fell apart. She works out of La Caridad, a church in a poor neighborhood of Old Havana, and has seen the situation for ordinary people deteriorate since Cuba's aid from the Soviet Union ended in 1991 and it was exposed to the full brunt of the American embargo. "There's a lack of food, medicine, milk—everything," she said last week. "Things are falling apart." The embargo, she adds with a flash of anger, is "inhuman. A government doesn't fail because you make the people suffer."

Now, after almost half a century in Cuba, Sister Marguerite is the only one of her group from Quebec left, and she has seen

the wheel came full circle. "It's as though I was a Catholic," he said. "I've waited a long time." On Sunday, at the Pope's final mass in Havana's Plaza de la Revolución, Sister Marquerite was one of 50 people chosen to receive communion from the hands of John Paul himself. "It's a real joy," she said. "I almost burst out crying."

The Pope's words about the embargo did have some echo in Washington—those who led in Congress and the White House, where it counts, USA Empire, a coalition of 250 American business groups and trade associations, including blue-chip organizations like the U.S. Chamber of Commerce, along with dozens of human rights and religious groups, called on the U.S. government to drop its economic boycott against Havana. And the House of Representatives is debating a bill that would make it easier to ship food and medicine from the United States to Cuba. "This is a landmark event," said liberal-leaning Los Angeles, an Italian Democrat who opposes the embargo, of John Paul's visit to Cuba. "It's got an awful lot of people thinking. The Pope's approach is the most optimistic of the American government. The contrast is apparent."



COURTESY OF THE VATICAN

Although he joked about it, his frailty was painfully apparent

Castro singled out the U.S. boycott for stinging criticism in his speech welcoming the Pope's blessing, a rare point of criticism. "It's ridiculous," he said. "Of course, world open for Goodness to American investment, visitors and consumer goods. And that might do more to undermine the socialist system than any amount of hostile rhetoric." "I'm not sure the Cuban leadership has thought through what effects the ending of the embargo would have," says Barry Stein, an expert on Latin American politics at the University of Wisconsin who visited Cuba in December. "For them, the lifting of the embargo seems so remote, so unlikely, that it's not something they have to routine." Washington seems determined not to alter those expectations. After more than three decades, attitudes on both sides are fixed in concrete. U.S. officials maintain that it is still up to Castro to make the first move by relaxing his system, and leaders of the powerful Cuban-American community show signs of ending their implacable hostility to him.

The Pope's criticism of Washington may have pleased Castro, but he also had to hear John Paul has what he considers the failings of Cuban society—including widespread abortion that ends 30 to 40 per cent of all pregnancies, and a divorce rate of about 50 per cent. The Pope also urged greater freedom for Cubans. At one point, he reminded Castro that the Cuban national hero, Father Felix Varela, was an advocate of democracy, "judging it to be the political project best

Giving a blessing in Cienfuegos, a crowd welcomes the Pope in Cuba
(above) benefits



COURTESY OF THE VATICAN

in keeping with human nature." He repeatedly urged the government to allow Catholic schools so that parents would have a choice in education, currently there are only state schools, which do not teach religion. And when John Paul went walking on Castro and the top Cuban leadership at Havana's Palace of the Revolution, he made an appeal on behalf of some of the estimated 700 political prisoners held in Cuba. Cuban officials, who do not even acknowledge the human rights in its name in their country, received his appeal "with great attention," the Pope's spokesman said later.

John Paul may still have great moral strength as the leader of 950 million Catholics, but his physical weakness was painfully apparent. When he arrived in Havana, he did not head to his room as he has done when starting visits to the other 124 countries he has traveled to since he became Pope on Oct. 16, 1978. Instead, four children presented him with a tray of Cuban earth to kiss. He was able to walk only slowly and stiffly, and his left arm often slumped uncontrollably—a symptom of what Vatican officials have acknowledged is a form of Parkinson's disease. Many of his visitors are Christians and New Year's was con-

The men who would be Pope

How the time finally comes for the candidates of the Roman Catholic church to choose a successor to Pope John Paul II, they will at least be more comfortable than in the past. The red-hatted clerics will no longer be housed in spartan cells near Rome's Sistine Chapel, where the voting has taken place for centuries. Instead, they will bed down at the St. Maria Residence, a Vatican building as plush as a luxury hotel. To maintain the strict secrecy of the ever-mysterious selection process, the cardinals will not be allowed to use their cell phones. But the announcement that Catholics have a new leader will still be signaled to the world by a single puff of white smoke rising from the Sistine Chapel's chimney.

Speculation on the Pope's successor may grow more intense in Rome on Feb. 21, when the aging John Paul is scheduled to install 22 new cardinals—19 of whom are under 80 years of age. Only cardinals under 80 are eligible to vote on the selection of a new pontiff, and following their installation there will be 123 voting cardinals. To replace John Paul following his death, a cardinal would have to receive a majority of two-thirds plus one. And as with political conventions, blocks of votes often emerge to slip or promote a candidate. Poland's Karol Wojtyla—the first non-Italian pontiff in 450 years—only slipped through on the third ballot in 1978 to become John Paul II after ten Italian cardinals, one conservative and one liberal, were ruled out.

The Pope, say analysts, has almost ensured that his successor will be as conservative as he is by naming 16-cardinal cardinals—and he has appointed all but 17 of them. Seven of the new cardinals are also from Italy, leading Silvio Berlusconi, a prominent Vatican expert in Rome, to believe that the new pope could come from that



MILAN'S MISTAKE: highly regarded scholar

country. "In the early years of his papacy, John Paul strengthened the representation of the Third World in the College of Cardinals," says Tommaso. "Now he has given a very strong signal in favor of Europe and of Italy." Vatican watchers believe that the leading Italian candidate is Archbishop Oscar Tarantino, 64, of Genoa, who has the respect of both progressive and conservative cardinals. Another is Carlo Martini, 69, the highly regarded archbishop of Milan and a scholar who knows 11 languages. Elsewhere in Europe, Christoph Schönborn, 53, the archbishop of Vienna, is admired for the way he has backed scientists and clergymen within the Austrian church, while Brussels archbishop Godfried Danneberg, 64, has gained a quiet following on both left and right.

Latin America, which is home to nearly half the world's Catholics, could also produce the next pope. Mexico City Archbishop Norberto Rivera Cárdenas, 59, a progressive on social issues while a conservative in theology, is seen as a strong contender. He is followed by Archbishop Denis Costello, 66, of Colombia, who has wide contacts among Latin American bishops. And for the first time in more than 1,500 years, there is a chance that a black pontiff could assume the throne of St. Peter. Nigerian Archbishop Francis Arinze is charismatic and has distinguished himself while in charge of relations with other churches for the Vatican. Although traditionalists would likely vote against him, the cardinals have made surprise choices before—such as the line they selected a Polish pope.



Berlusconi: the leading Italian candidate

TIM FENNEL with PHILIP ALLAN in Rome

Despite the revival of faith, Cuba is still a highly secular society

called to save his strength for the Cuban revolution, one which church officials say he was determined to make before his condition deteriorated further. As recently as Jan. 11, he swooped and seemed about to thrust at the altar of a mass in the Vatican's Sistine Chapel. But, said Cardinal Jaime Ortega, the archbishop of Havana, John Paul gave no thought to postponing the visit: "He told me, 'I'll come to Cuba even in a wheelchair.'"

The Pope himself failed about his frailty, asking for the faithful to pray for his well-being. "And also for my return." But for a church so identified with one man, it is hardly a lingering matter. John Paul, who became Pope at the relatively young age of 58, and who had a passion for stoking and leading through mountains, has visibly declined over the past year. Aided from the Parkinson's disease that causes his arm to shake and his speech often to slur, his library of health problems has included the terrifying bullet that struck him in St. Peter's Square in 1981, a benign tumor in his intestine that was removed in 1982, a fractured right shoulder in 1983, a broken right hip in 1984 from a fall on his bathroom, and an operation to reattach his appendix in 1986.

Still, there is no indication that his mental abilities have suffered. Cardinal Jean-Claude Turcotte of Montreal, the Cuban legation's representative in Canada, told *Maclean's*, "He's an old man now. But his mental condition is very good." What the public sees, he added, is misleading: "The Pope does have trouble walking and climbing stairs, and that is the reason that many people have of him. But I can tell you, I find many opportunities to speak to him, and it's not the least pleasant. He is still very strong, in good shape for a man of his age."

Church leaders, of course, can be expected to issue such reassurances. The Vatican's role does not make it clear how to deal with a pope who becomes physically or mentally unable to carry out his role. And, say Vatican observers, John Paul is determined to outlive the church into its third millennial in just under two years. When or how he may be replaced, he will have an enormous influence on the choice of his successor, since he has chosen 86 per cent of the 123 cardinals in line to vote.

Last week, however, John Paul's weakness seemed to limit the impact of his public appearances. Several hundred thousand people lined the streets of Havana to wave on his motorcade, but the crowds were scattered in smaller centers. In both Santa Clara and Camagüey, he was met. There were many devout Catholics like Hilda

Castellanos, a 58-year-old woman who boarded a bus at 2 a.m. with other members of her church to make it to the mass on time. She stood for hours in the sun waving tiny Cuban and papal flags. "I still never goes away," she said.

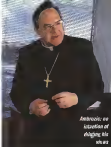
But the crowds that turned out to see John Paul were noticeably modest by the standards of papal visits: about 50,000 at his first mass and perhaps 30,000 at the second. (By comparison, last October he drew 1.5 million people to a mass in Brazil, a country with a much stronger Catholic tradition.) Even during his hourly, many

Clara, where a group of demonstrators have been conducting a hunger strike since October, none of their supporters used the Pope's mass there as an opportunity for publicity. "The visit isn't political," explained Raimon Martínez, a member of the supporters' group. "And anyway, the church has just been sitting on the fence. They know the situation, but they don't do anything."

At least so one, however, reported John Paul's Cuban pilgrimage to produce sudden change in a country where Castro still thunders that "Cuba will not change... Even death will not defeat us." It is a matter of small steps—like the one taken at La Catedral Church in Havana five months before the Pope arrived. Eduardo Sosa Masvidal, who once was headquartered in the church as Bishop of Havana, had come back to celebrate a mass there. Now a frail old man of 65, he was forced to leave. Cuba in 1981, when relations between the church and Castro's government went into a deep freeze. Many lay clerics sided with the old regime of dictator Fulgencio Batista against the guerrillas from the countryside, and tens of thousands were killed. Four thousand people showed up at the church one day, angry that the government had converted a religious procession, and arrested on the presidential palace. Books were arrested, charged with starting as anti-Castro riot, and then put in a ship with other priests headed for Miami.

When he was able to say mass again last week at La Catedral, both he and many of the 1,200 people who packed the old church had tears in their eyes. "You lose no faith how happy I am," he said, his last words barely audible. "Since the day I left, I haven't stopped thinking and praying for Cuba." Sosa, now the auxiliary bishop of Wrentham, was looking forward to a time when the difficulties that kept him away for decades would be behind. "As Christians," he said, "we must forgive and see the hand of God in everything." Then, perhaps, in a voluntary encounter between two old men trying in their own ways to avoid dragging the ideological wars of the 20th century into the next.

With DALE ESKER in Calgary and JIMMY HILLMAN in Rome



Archbishop of Montreal, Jean-Claude Turcotte, is seen here.

A cardinal's rule: follow the teaching

The phone rang at about 7:30 a.m. at Archbishop Aloisius Ambrosio's Toronto home last week, just as he had started his morning ritual—completing a newspaper crossword puzzle. The caller—the Vatican's ambassador to Canada—had startling news. Pope John Paul II had decided to make Ambrosio a cardinal, representing the Archdiocese of Toronto, home to more than 1.4 million Roman Catholics. The Pope, who is 77 and visibly slowing under the ravages of Parkinson's disease, appointed 23 new cardinals from around the world. Joining more than 100 other so-called princes of the church—including Canada's Cardinal Jean-Claude Turcotte of Montreal—they will one day have the daunting task of picking a new Pope amid deep divisions in the Church. Many of Canada's Catholics are critical of what they describe in John Paul's authoritarian rule, and hope his successor will take a softer line on a number of issues, including birth control and women in the priesthood.

But sitting before a statue of St. John the Evangelist in front of a wall of windows in his office, Ambrosio told *Maclean's* that he has no intention of dictating his only criterion: "I have a conservative position on abortion and homosexuality—the church has been teaching that all along," said Ambrosio, a tall, square-shouldered 68-year-old who still exudes youthful energy. In fact, the Pope almost surely nominates

Archbishop Ambrosio because he has steadfastly supported him on the controversial social issues that have divided Catholics around the world. "If you want to know where I stand," said Ambrosio, "ask me about the Church's teaching on abortion, homosexuality, and the Eucharist. I know, I teach that."

Ambrosio's conservative views were forged in the furnace of the Second World War. He was born in Guelph, Ontario, on Jan. 27, 1930. His second eldest of seven children. In 1945, the newly fled warlord Slovakia for Austria and in 1948 emigrated to Ontario, where Ambrosio soon entered St. Augustine's Seminary in Toronto. Following his ordination as a priest in 1955, he was assigned to a parish in the northwest of Toronto in Port Colborne, but he spent just one year there before going to Rome for postgraduate studies. He earned a doctorate in theology in 1970 at the University of Würzburg in Germany, and returned to Toronto and taught at St. Augustine's.

His strong intellect has written four books and strict orthodoxy did not go unnoticed in Rome, and in 1976 he was named Auxiliary Bishop for Toronto. In 1990, he became archbishop. Ambrosio quickly established himself in the public mind as an uncompromising defender of the Church's teaching on the one of his first interviews he described a woman crisis as trying to "see the catch" on her (black) hand, and referred to homosexuals as those "poor devils." But Ambrosio insists that his views accurately represent the real middle ground of the church. "I became worried," he said, "when something mainstream becomes conservative."

As a cardinal, Ambrosio, a shy man who appears uncomfortable with the media, will have to adopt a higher profile. He plans to speak out on the growing gap between the rich and poor in Canada, and to address the issue of publicly funded Catholic schools from politicians who believe they should be rolled into the public system. While some may agree with him on these subjects, many reform-minded Catholics say they wish the Pope had appointed a man more in tune with their concerns. The church teaches that the only way to achieve the Kingdom of God is through the sacraments of the Church. But Cardinal Ambrosio of Ottawa-based Catholics of Vision But Ambrosio's appointment will help ensure that the Pope's own vision leads well beyond his departure.

TOM PENNELL

Visiting Santa Clara in a Canadian-made Papamobile: an appeal on behalf of political prisoners

people wandered away or talked among themselves. Cuba, it was clear, may be experiencing a revival of faith—but it is still one of the most secular societies in the Americas. And the Pope's lectures against abortion and divorce, not to mention his stern message to sit "blatantly following the regular of our emotions when means becoming entire to our passions," hardly fit easily with a society where sex—usually without the benefit of marriage—is often seen as one of the main recreational activities.

Not all people seem intent on taking advantage of the gatherings and the presence of the world's media to speak out against Castro and his government. For at least the first three days, none of Cuba's five oldest groups made their opposition publicly known. Cubans may grumble privately about economic hardship and—sometimes—about the lack of political freedom. But whether from fear, lack of interest or even respect for the Pope, no one went public. In Santa



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World NOTES

SUHARTO STAYS ON

Indonesia's battered currency plunged again after strongman President Suharto, 78, confirmed that he would accept a seventh five-year term in March. Several Asian stock markets fell due to fears of a worsening crisis in Indonesia. Analysts also warned that Suharto would pick as his vice-president B.J. Habibie, a top minister whose policies are at odds with those of the International Monetary Fund, which has approved a \$52-billion bailout for Indonesia.

BELFAST TERROR

Northern Ireland's major pro-British paramilitary group, the Ulster Defence Association, made a surprise admission that it had been targeting Catholic civilians, but said its killing campaign was over. After the announcement, a Catholic was shot in the head in northern Belfast, a sign that dissidents continue to break a 1994 truce. He was the sixth Catholic killed since Dec. 20.

SERB 'HITLER' ARRESTED

NATO forces arrested the Serb commander of the infamous Luka camp in northern Bosnia on genocide charges after they spotted him walking in his hometown of Djeljina. Goran Jelisic, who referred to himself as the "Serb Adolf," stood accused of a 1992 mass murder of Muslims and Croats. Jelisic has also implicated Bosnian Serb President Slobodan Milosevic as a key figure in "ethnic cleansing." "We don't in leaders back Milosevic in her role with removed war criminal Radovan Karadzic.

AVALANCHE TRAGEDY

Nine teenage students and two adults were killed in an avalanche while snowshoeing in the French Alps. They were part of a group of 35 students and six adults, four of them guides, who had along a ridge despite warnings of increased avalanche risk. Rescuers said they were split off the slide.

RAPE ON A STUDENT TOUR

Guatemalan tourists robbed a group of 19 Maryland students and three college officials at gunpoint and raped five of the women. Police arrested four suspects in the ordeal, in which the American group was forced to lie face-down in a sugar cane field for 90 minutes. Some foreign groups massaged police to rest, but four B.G. high schools said they will still make a trip in March.



Winfrey outside the Texas courthouse: libel or free speech?

A beef with Oprah

Superstar Oprah Winfrey took it upon herself to sue a Texas, where she was appearing at court in a \$14.5-million libel suit brought by beef fienders. Faced crowded into a courthouse that has a livestock mural over the elevators, in a town where the largest employer is a slaughterhouse. Others lined up for tickets to two days of taping that included a guest appearance by Texas-born actor Patrick Swayze. Under a 1995 Texas law against libel

suits by up to 20 million U.S. viewers—she is largely responsible for a steep plunge in beef prices during the month following the broadcast. Winfrey says he alone lost \$9.7 million in court. His lawyers accused the program of cutting too much from interviews with representatives of the beef industry. "Oprah Winfrey is a self-interest, not anti-cattle, not anti-meat," her attorneys cautioned. They were expected to focus on evidence of speech.

MIAMI FAST

Far apart on peace

It was Benjamin Netanyahu's lucky week. A U.S. administration disavowed by the old Clinton peace scandal brought little pressure to bear on the Israeli

prime minister's no-compromise policy on Jewish settlements in the West Bank. Clinton and Secretary of State Madeleine Albright met in Washington with Netanyahu, then with Palestinian leader Yasser Arafat, in an effort to revive the stalled peace process. Arafat insisted he is asking for less than 20 per-

cent of the land along the armistice line in the 1955 peace agreement. Netanyahu was prepared to add only new parking lots and dumpsites. Arafat said he would not crack down on terrorists. Arafat met with the CIA for help with this, while Albright said she would soon broker a meeting in Europe between Netanyahu and Arafat.

Unabomber: guilty

Exactly two years after leading the FBI to a cabin in the Montana woods, teacher David Kaczynski told "deeper" last week when his redneck brother Ted continued to being the largest FBI Unabomber Theodore Kaczynski, 53, abandoned his defense in a Sacramento court and pleaded guilty to murder in exchange for a life in prison without being the death penalty. Judge a posthumous had concluded that Kaczynski was mentally ill, which made it unlikely the authorities would succeed in winning a sentence of death by lethal injection. The judge had also refused to let the Un-

abomber represent himself, saying it would be like granting him a "suicide license." In addition to getting life on 23 federal charges of murder and bombing, Kaczynski was fined \$4.7 million to prevent him from profiting from a movie or book deal. "The Unabomber's career is over," said prosecutor Robert Choyn.

As for the three people Kaczynski murdered and two he injured during a violent 19-year crusade against technology, they will be in our hearts and thoughts forever," said brother David, outside the courthouse with their mother. Winke Kaczynski's journals were read to the court, detailing the former math teacher's chilling glee over his crimes.

BIG AND BIGGER

BY KIMBERLEY NOBLE

A \$39-billion deal challenges Ottawa's policy on bank mergers



It is Friday afternoon, and John Cleghorn and Matthew Barrett have spent the better part of the past 24 hours in each other's company. The two bank chairmen, respectively the biggest of the choices at the Royal Bank of Canada and the Bank of Montreal, attended meetings of their boards of directors the night before, then got up for a pre-dawn signing ceremony at which they pledged to unite their operations into the largest leading and deposit-taking institution in Canada. Since the signing, Cleghorn and Barrett have been as inseparable, working their way through a tightly orchestrated series of presentations to the media, financial analysts, employees and anyone else who has been able to grab a few minutes of their attention on what, stock-market aficionados and followers of real estate media might surmise, is one of the most remarkable days in the history of the Canadian financial services industry. They are not conspicuously comfortable when a photographer asks them to put their heads together for a portrait. "I don't get this close today," Cleghorn quips.

But they co-operate, nonetheless, in the conviction that everything they say and do on this day will be worthwhile if it helps them push through the merger. "I've been in the business for 30 years," Barrett says in his soothing Irish lilt, "and this opportunity to take two great historic Canadian institutions, and out of them create one of the great banks of the world, is a banker's dream."

Ottawa is a good word for it. The deal they are proposing would, by a wide margin, easily be the largest corporate merger ever in Canada. With 85,000 workers, the organization would rank as the country's largest single employer. The new bank, which has yet to be named, would be a true behemoth of international proportions, with \$453 billion in assets and a stock-market valuation of \$36 billion, based on last week's closing share prices. When raised according to market capitalization, the combined entity would be

the 10th-largest financial institution in North America, and 22nd in the world.

The notion that Canada needs such a massive creature to compete in the increasingly cutthroat global market has been the subject of no end of banker speeches in recent years. Cleghorn and Barrett have been among the most passionate advocates. But it is still an alien concept to many of the bank's customers, who worry that the country's major financial institutions are rich and powerful enough, and that any further concentration in the sector will inevitably lead to higher prices and less choice for borrowers—not to mention more consolidations.

Will they pull it off? Will Ottawa let this one go through, thereby opening the floodgates to all of the other mergers and acquisitions that are bound to follow? The question has the entire Canadian business community buzzing. One anonymous dealer overheard a colleague talking about how he would always remember where he was when he first heard the Royal Bank of Montreal news, much as people talk about what they were doing when John F. Kennedy was shot. In fact, the idea that the Royal and the Bank of Montreal would embrace each other in corporate marriage seemed so farfetched that some downtown Toronto bankers and brokers thought the news might be some sort of joke. "I have to tell you, I was blown off my seat," one corporate financier said. "I thought it was one of those truck Internet things." Another saw the news scroll across his computer screen and blurted out: "What is this, Angel Food?"

For Cleghorn and Barrett, however, this is no joke. In the months ahead, they will do their utmost to make sure their dream, however ambitious and politically charged, becomes a reality. For much of the past year, they have been circling around North America, preaching the gospel of bigger banks. They both could fast when it came time to select a potential merger partner; they were each at the top of the other's list.

Obviously, they came up with the idea over a glass of punch at a Christmas get-together on the 6th floor of the Bank of Montreal's headquarters on Bay Street, the tallest office tower in the



THE MARRIAGE TERMS

	ASSETS	PROFITS	EMPLOYEES
Royal Bank	\$245 billion	\$2.7 billion	50,719
Bank of Montreal	\$208 billion	\$2.1 billion	34,286
Total	\$453 billion	\$3 billion	85,005

All figures as of Oct. 31, 1997

Barrett (left) and Cleghorn after announcing the deal, a banker's dream, but an alien concept to many customers

The shakeout in the banking business, Barrett says, is akin to what happened recently in retail

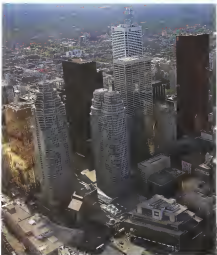
country. They picked it to their key executives and relinquished it through the "ingenious examination," in Barrett's words, of both boards of directors, starting early in January and going right up to 10 p.m. the night before the deal was signed.

Their challenge now is to persuade Canadians that this merger-like marriage of the country's No. 1 and No. 3 banks, ranked by assets, will be good for more than the blue ink on Bay Street. Already, the banks are under fire over rising service fees, complaints of mortgage financing for small business, increasing workplace reductions, billion-dollar-plus profits, and the multimillion-dollar salaries and bonuses enjoyed by bank executives.

They acknowledge that there is a large job ahead, and that it will not be easy. "We never thought it was going to be anything less," says Coghlin, the proponent. Adin Barrett, the administration visionary. "Our attitude is, why wouldn't you want to approve the creation of an international financial player in Atlantic, or the Bombardiers, or the Nortics? Why wouldn't you want to have one of your banks in that league?"

After a day of such presentation, the two bankers are becoming somewhat at a loss. They have a polished script, and they know it by heart. By three in the afternoon, they are not quite at the point where they are jumping in to defend each other's sentences, but they are getting close. Barrett, the superior showman, introduces the larger concepts and colorful analogies, while Coghlin, the no-nonsense banker, follows up with the details.

Take the example of what bank executives say is the biggest reason behind the deal: the wave of bank mergers sweeping every other country of the industrialized world, and the fact that large foreign banks are now able to penetrate Canada without ever setting up shop in the country, at least not in any conventional way. Barrett uses the analogy of the big-box retailers that have wreaked havoc among Canadian retailers. What Canadians are seeing now is the banking business, he says, is akin to what happened several years ago in the retail sector—only this time the bankers want to get the jump on their foreign counterparts before they come north to clean their windows. Used to be said, you may remember, that all those Americans, they'll never come up here. Well, the Wal-Mart's are here and the Home Depots are here, and what are they doing? They're offering a better value proposition. They are able to buy cheaper; they can give better value and higher-quality services in their stores. And then they put the local guy out of business, because in the end the consumer will consume from the best priced and highest-quality provider in the marketplace."



Toronto bank towers; some bankers and brokers thought the announcement was a hoax

Coghlin—who will be co-chairman and CEO of the bank, while Barrett takes on the slightly less powerful role of co-chairman and head of the executive committee—interviews with specifics. He rhymes off the names of all the international banks that have merged in the past two years, as well as those that have recently arrived in Canada. San Francisco-based Wells Fargo, for example, now offers cheap and plentiful small-business loans from a call center in Colorado, while the Dutch state ING is luring customers with the promise of a higher rate of return on savings accounts (a rate available from any Canadian bank). "There's something that's generally not known," Coghlin says. "If you take a basket of, say, 12 or 13 traditional banking services, and compare what a Canadian would pay with what an American paid, you would be talking about a 50-percent difference—a 50-percent advantage for Canadians." This, he says, is because of the size and clout of the big domestic banks, which were free to operate as-



Royal Bank branch in Vancouver: the merger plan was hatched over a glass of Christmas punch

locally in an era when their American cousins were restricted to local lenders. But as banking evolves, Coghlin warns, those old margins will disappear. Only bigger banks can spend the money that will be needed to compete with U.S. banks in the realm of computer and Internet banking. Foreign competitors, Barrett insists, are starting to dwarf us. "So says Coghlin. "We have to do it this way, or we will have no share in the next century; we will lose our own identity; we will not be Canadian-based. To be able to compete, we will have to join forces—people with a big American institution."

This is the main card, the final point that the bankers believe will ultimately persuade Canadians—employees, customers, regulators, voters and politicians—to support their plan. If the banks are forbidden to merge, Coghlin and Barrett say, foreign-owned giants could take over the homegrown industry, sapping up Canadian savings while funneling much-needed loans away from Canadian companies. Those foreign banks, it's claimed, would operate with complete disregard for the Canadian economy, laying off employees, closing branches and paying their corporate taxes in other jurisdictions.

Cynics contend that the desire to preserve domestic control of the industry likely stems in much more from a concern for its Canadian executives as the Canadian identity of investment bankers and brokerage employees, senior officers, are predicting widespread job losses in their ranks should the mega-merger go through. Just so particularly as Coghlin and Barrett present their case for global competitiveness, critics argue, that it is impossible to merge anything—a brokerage or a corporate finance department, let alone two banks with 2,500 retail branches, away from the side or on the same city blocks—without a lot of business savings.

An anecdote, opposite of the deal point in the bank stories, which ran sharply last Friday in response to the Royal Bank of Montreal announcement. The market pump was interrupted by some as a sign that speculators believe other bank mergers will follow. (A pairing of the Toronto Dominion Bank and the Bank of Nova Scotia is in the air, followed by a renewed talk between the CIBC and Canada Trust.) Yet at the bottom of it all, one portfolio manager says, "These stocks are up because everybody expects the banks to be more profitable. And they are only going to be more profitable if they lower their costs. People are just capitalizing on the value of those cost savings in the domestic business."

At bank branches across the country, however, bank employees seemed anxious to express support for their bosses' global visions. At adjacent branches of the Royal and Bank of Montreal, Vancouver,

port the banks' were to merge? Is Finance Minister Paul Martin poised, or severely relieved, at the way the two banks jumped the gun on a task force he had set up to advise Ottawa on competition and concentration in the financial services sector? Will he voice concerns in public while privately wishing them well, or is he willing to take the heat that would come his way should he stand up to the banking establishment and pull the plug on the Royal Bank of Montreal deal? Coghlin and Barrett did not, because they could not, give Martin or anybody else in Ottawa prior notice of their spectacular deal. But at about 8 a.m. on Friday, they called the minister's office to give him the news personally, shortly before it went out to the public. Martin was in a meeting at the time and asked that the bankers call back at once. At 8:08 a.m., an aide handed him a copy of a newswire story on the announcement.

For the moment, only Martin and his closest advisers know what the federal government intends to do about the proposal. A year ago, Martin turned down the CIBC when that bank came knocking around for guidance on a possible takeover of Canada Trust. This may explain why Coghlin and Barrett, who are both due in Ottawa's news centres, did not inform Martin of their agenda for Friday. For their part, the bankers say they had no choice but to keep Martin in the dark until the last minute. Otherwise, Barrett said, they might have been accused of insider trading. "We had legal advice—we had to go public before we told anybody," Martin, described by aides as being "inoculated" by the way the bankers handled the matter, responded to the bombshell by stating, in his own news release, that he will not approve anything until September of the earliest.

That is when a federal task force, established by the minister in 1996 to help shape government policy on the financial services industry, is scheduled to report. Task force chairman Glen Mackay, a British lawyer, and emphatically last week that nothing the big banks do in the meantime will alter his mandate or deadline. "Nothing changes as a result of this," Mackay told Montreal's Bank mergers, he added, have always been high on the task force's agenda, along with what Mackay euphemistically calls "the changing nature of the competitive landscape." Last week's announcement by the Royal and the Bank of Montreal virtually guarantees that the impact of those changes will be felt by every Canadian.

WILL JENNIFER HUNTER in Vancouver, DAVID ROSS in Calgary, BRADAN ARMSTRONG in Montreal, BRUCE HOLZNER in Ottawa and JOHN SCHOFIELD in Toronto



COVER

TAKING ON OTTAWA

The banks see Martin as a major obstacle

Paul Martin may be a friend of Royal Bank chairman John Cleghorn, but that does not make him a friend of the banks. The finance minister has his own personal story about the trials of dealing with bankers. As a Montreal businessman in the high-stakes days of the early 1980s, Martin struggled to keep his company, Canada's Shipping Lines Inc., afloat under the weight of \$150 million in bank loans. He remembers sweating every agreed tick in interest rates. "Politics doesn't take guts," he told a reporter as the mid-1980s, he says, if it were so, he would be a politician. "Staring bankruptcy in the face every morning—that takes guts."

So Martin has a good understanding of the distress some Canadians feel towards their omnipotent banks. Although he displays a bankers' affection for sober blue suits and spending time, he has also made it clear that the banks are their own worst enemies in the arena of public opinion. In his early days as finance minister, he told a private gathering of senior bankers that Canadians were mad as hell and had every right to be. The bankers were furious when he stood. Cleghorn and Martin have worked intimately at Quebec's Bankers' Roundtable, and the Royal Bank chairman has enjoyed a good jousting at Martin's officiousness with using automatic teller machines. But when Cleghorn and Bank of Montreal chairman Matthew Barnett decided to merge their banks last week, they calmly and deliberately opted to illustrate Martin's

Not that the finance department was unaware of the industry's eagerness for mergers. Cleghorn was in Ottawa a day before the deal, Martin yet another speech on the virtues of bigger banks. But the Royal and the Bank of Montreal surprised the capital by coming before the government's Task Force on the Future of the Canadian Financial Services Sector delivers its report, expected in September. An aide to Martin, noting that the panel is almost certain to come down in favor of allowing mergers, wondered why the banks "did not wait and allow the debate to be around the broad issues rather than around their case. It doesn't make sense." Even before party finance critic Martin Selberg, who favors bank mergers as part of a broader push towards deregulation, could not understand

key to Cleghorn's heart, they believe, is winning over the government's powerful 331 member Ontario caucus.

The banks are confident they can show down-to-earth style contrasts with that of the flimsy Barnett, can do the job Cleghorn has told them he wants to meet the Liberal caucus and show them the light. "He can meet our committee but he can't come to closed caucus meetings," says Tony Lanza, a Toronto MP who chairs the party's committee on financial institutions. The lobbying has already begun. As soon as the merger was announced, Lanza began receiving calls from Canadian bankers, arguing that it is support the deal. "I say the same thing to them all. You tell me the benefit to Canadians," Lanza says.

On the surface, it is hard to see what there is for Liberal backbenchers to like. "First, you've got the rural MPs, where some banks have been pulling out of towns," says Lanza. "Why would they be for it? Then take cities like Hamilton, Sudbury, Ottawa, where closing branches means losing jobs." Lanza has already heard from a lot of MPs. "So far, I've only heard 'You can kill me'."

The Liberals can still be convinced, of course. But bankers and politicians have never been terribly close. In the early 1990s, Cleghorn, then the Royal's president, appeared before a Commons committee to explain why credit card rates were so high. New Democratic MP Bill Edwards looked him over and bluntly suggested he was lying. Cleghorn's staff must remember that when he visits Ottawa again, looking for support to build an even more powerful bank.

BRUCE WALLACE

the timing. "This was not the best strategic thinking," he said.

But the banks were hardly on the road to ruin. Even if the task force does submit its report on schedule, the debate on mergers could easily be dragged out before a parliamentary committee, by which time a Liberal leadership race could ensue and delay matters even further. In any event, Martin hardly seemed inclined to do the banking firms' bidding. Two years ago, he turned down their requests to get into the mortgage and car leasing businesses. "It became the perception in the boardrooms that it is a mistake to ask permission," says Richard Ronfield, a former aide to Tory finance minister Michael Wilson and longtime lobbyist for the banks. "The bankers love to be rapidly changing world where you don't have four or five years to wait for a process whose outcome is uncertain. So you don't ask. You just do it."

In doing so, Cleghorn and Barnett clearly calculated they could circumvent Martin. "This is a problem—let's get to move to the left politically if he wants to be leader some day," says one bank executive, explaining why the banks considered the finance minister as a obstacle. For the banks, the key to securing the merger is through its Ontario MPs.

Martin is not alone in his view, as an honorary member of the put-together brothers because he was a Toronto-Dominion Bank director in the mid-1980s. And the

THE GLOBALIZATION GAME

Canada's banks are tiny by world standards

By Friday evening, John Cleghorn's thoughts had turned to three objectives: a lower cost of capital, a new wave of mergers that will hit his wife of 35 years, Peter, and a long walk in the fresh snow with his two golden retrievers. "I can't wait to get home," he muttered softly under his breath, at the end of another interview. Small wonder: The chairman of the Royal Bank of Canada had seen the entire day in the bright glare of camera lights, explaining employees, reporters and regulators why he was proposing to merge Canada's largest bank with the third-largest, the Bank of Montreal. But the crow of his own law is the cold, competitive global capital markets—far from the cozy confines of home.

Over the past decade, the nature of the banking business has been profoundly altered by global trade, sophisticated new technology and the ever-widening demands of customers. In response, the financial services industry has undergone a massive worldwide reorganization. The reason: the larger the bank, the greater its advantages in developing new products and services, building infrastructure, absorbing employee training—and cutting costs.

Between 1987 and 1997, international bank mergers totalled \$1.4 trillion by market capitalization. In the United States alone, the number of bank mergers declined by a third in the past decade. "Banks have become electronic delivery mechanisms," says CIBC senior vice-president John Pattison. "Size and economies of scale have become the name of the game."

So far, the financial Bank Act has kept Canadian banks on the sidelines. Regulators and longstanding government policies block them from merging and, the banks agree, from maximizing their efficiencies. To compensate, they have combined their cheques and documents processing functions and expanded in nontraditional areas. Scotiabank has invested in Latin America and Southeast Asia, the CIBC has bought into Wall Street, the Toronto-Dominion Bank has acquired discount brokers in the United States and Australia.

For Cleghorn and his counterpart at the Bank of Montreal, Matthew Barnett, the costs of being left behind in size and efficiency has recently turned into



Ceremony after the 1996 merger of Bank of Tokyo and Mitsubishi Bank: a cold, intensely competitive global market

WORLD'S LARGEST BANKS

By market capitalization

1. Utopia TSB Group	\$102 billion
<i>(Utopia Bank and TSB Group merged in 1995)</i>	
2. Bank of Tokyo-Mitsubishi	\$60 billion
<i>(Bank of Tokyo and Mitsubishi Bank merged in 1996)</i>	
3. HSBC Holdings	\$50 billion
4. Natwestbank	\$44 billion
5. United Bank of Switzerland	\$22 billion
<i>(United Bank of Switzerland and the Swiss Bank Corp. announced a merger in November, 1997)</i>	
6. Citicorp	\$79 billion
7. BankAmerica Corp.	\$69 billion
8. Chase Manhattan Corp.	\$65 billion
9. First Union	\$64 billion
<i>(First Union Corp. and Carolina Financial Corp. announced a merger in November, 1997)</i>	
10. Barclays	\$63 billion
22. Royal Bank/Bank of Montreal	\$39 billion

fire. Among other things, the banks worry about their ability to service large corporate and institutional clients. Canada's domestic capital markets—the total value of all publicly traded securities—now represents just two per cent of the available capital in the world. That is too small to meet the demand of growing Canadian companies, which means that borrowers must compete to obtain funds in the global capital pool.

It also means that Canadian banks are up against rivals like Citicorp, which has a bigger market capitalization than all five Canadian banks combined. Even nontraditional lenders, such as GE Capital, the financing arm of General Electric, have 19 times the market cap of Canada's second-

largest chartered bank, the Canadian Imperial Bank of Commerce. Another competitive pressure stems from the increased sophistication of modern financial services. Global banks have derived sources of financing for large corporations because of the lower costs and huge customer demand for equities. In Canada, traditional bank loans declined to 17.5 per cent of Canadian corporate financing in 1995 from 50.4 per cent in 1980. Currently, about 40 per cent of corporate financing is accomplished through the issue of securities. Meanwhile, the share of the corporate market held by the chartered banks—now at GE Capital and Toronto-based Newcourt Credit Group—has climbed to 35.5 per cent in recent years.

Retail banking has not been immune from global competition either. Foreign entrants to the Canadian market, including the Dutch-based ING, have lower labor costs because they rely on relatively inexpensive telephone banking technology. Last year, San Francisco-based Wells Fargo entered the market by offering direct-mail loans to small businesses. Says CIBC's Pattison: "They use telephone or computer banks and, therefore, they give them a huge advantage. They don't have to pay for all those small-town bank branches in Saskatchewan." That explains why the Royal and the Bank of Montreal find it necessary to do what they did—and also why many Canadians, including regulators, will be reluctant to accept it.

DECEMBER 26/27, 1997

The dollar takes a dive

Turmoil in Asia helps push the loonie to its lowest point ever

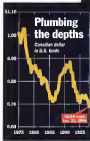
BY JOHN GEDDES

I started with quakes in the B.C. lumber industry, then spread to Big Street as a currency issue that showed signs of lagging like a nagging winter cold. The Asian flu—that exotic virus blamed for slowing the strength of much of the world economy—has struck Canada with an unsettling army of symptoms. Last week, Vancouver-based forestry giant MacMillan Bloedel (LB) announced plans to cut its workforce by one-fifth, eliminating 2,700 jobs, largely because of a collapse in lumber sales to Japan. On the same day, the collapse in Asia commodities markets pushed the Canadian dollar to its lowest level ever. And then was a 24-hour lag: the dollar dipped even further later in the week after the Bank of Canada failed to prop up the ailing loonie with higher interest rates. "What's happening is the growing realization that the Asians are coming off the Canadian economy," warned Gordon of Nova Scotia deputy chief economist Aron Gangel.

"We're, to a large extent, seeing in the Asian flu that is sweeping the globe."

Summerville, perhaps, but not so sick that economists are trading their predictions for a doomsday prediction by the Canadian economist in 1998. With consumer spending in good shape and interest rates near 5-year lows, most analysts still expect growth in the three-percent range this year, down only slightly from four predictions last fall. And if the Canadian dollar's unprecedented dive to 68.81 cents (U.S.) next stirs through financial markets, the chill was partially offset by the report that Canada posted a better-than-expected trade surplus in November of more than \$1.6 billion. "We don't have a currency crisis in Canada right now," concluded Paul Summerville, chief economist at the investment house RBC Dominion Securities. "We have an accident."

In fact, the Canadian dollar was pummeled last week after the Bank of Canada woke up currency traders with two key statements. The governor of the bank, Gordon Thiessen, conceded in a speech in St. John's, Que., that the Asian crisis would hurt Canadian growth this year. The next day in Montreal, Thiessen's senior deputy, Bernard Bixio, suggested to reporters that the bank would not bump up interest rates to bolster the Canadian dollar



Currency traders in Toronto: a breakdown of confidence or a rational adjustment?

The two points are closely connected; to counter these weaker overseas markets for Canadian exports, the bank sees a need for low rates at home to stimulate domestic spending. Lower rates, however, mean there is less demand for Canadian dollars from foreign investors. In other words, the dollar's fall was no mystery. "There hasn't been a breakdown in confidence in the Canadian dollar," Summerville said. "There has been a real and adjustment because of the fall in commodity prices resulting from what's going on in Asia."

Not everyone shares that sanguine view of the dollar's dive. Some observers feared that without an aggressive defense from Thiessen, the Canadian dollar might end up being hampered in with the currencies of other resource-oriented economies, including Australia and South Africa, that have been hit even harder by the Asian contagion. "I think it is very dangerous, frankly, for the central bank to give the impression that it is unconcerned about the value of the domestic currency," said Sherry Cooper, chief economist of the brokerage firm Neiderhiser & Co. "In a time of extreme turmoil, you need a strong central bank." A weak rate hike—or even some tough talk from Thiessen and his deputy last week—might have been enough to calm currency traders, she argued. Instead, analysts were left with the impression that the Bank of Canada is content to watch the Canadian dollar drift still lower in the weeks ahead.

The response of exporters goes right along. A lower dollar makes their products more competitive in the crucial U.S. market. (The other side of this old tug-of-war between economic interests is the

impact on consumers, who will face higher prices for U.S. imports and for winter vacations.) The benefits for exporters, however, are limited in this case because the loonie has held its own recently against most other currencies. Craig Nesner, senior vice-president of MacMillan Bloedel's solid-wood products business, plainly noted that the Canadian dollar has actually appreciated against Japan's yen since last year. That makes it any currency-based price cut for the forestry giant that MacMillan supplies to the Japanese construction industry. And the company could use a break in Japan, devastation of some \$500 million worth of its \$1.2 billion in wood product sales last year. That vital market has "collapsed," Nesner said, as housing starts in Japan fell sharply lower for the second straight year.

Compared with its smaller neighbors, Japan's economy looks solid. Beginning last summer with the crash of Thailand's financial markets, and followed by severe currency shocks in several other Southeast Asian countries, the spreading crisis has exposed the vulnerability of the region's overextended banks and overpriced real estate. Still, less than 10 per cent of Canada's trade is with Asia, including Japan. Why should the region's woes matter much here? Thiessen tried to answer that question last week in his speech, concluding that the indirect impact of the crisis on world prices is more worrisome for Canada than any direct decline in exports shipped across the Pacific. A series of recent commodity price losses little doubt that Thiessen is right. Lumber, copper and crude oil prices are all deep in the doldrums, in each case at least partly because of reduced Asian demand. But the commodities outlook is not unambiguously bleak. The price of newspaper, a leading Canadian export, has held up, mainly on the strength of U.S. and European demand. So has the price of aluminum, another key Canadian product.

As the Asian flu strains the intricate system of Canada's natural resource sector, some observers see an even bigger test under way

Summerville said this is the first real challenge faced by the new economic order that Canada has entered by its aid starts over the past decade. That overhaul came in three stages: the squashing of inflation under then-Prime Minister John Galt in the late 1980s, the restructuring of industries struggling to stay competitive under the Tarion agreement free trade deals in the same era, and the successful drive to eliminate the federal deficit, launched by Prime Minister Paul Martin in 1995. Without those painful changes, Summerville argues, the Canadian dollar—and economy—would now be staggering. Instead, Canada is holding up well, all things considered. "There has been a dramatic, unexpected change in the terms of trade," Summerville said. "No one expected one-third of the world's economy in Asia to fall off a cliff."

The bottoming of the dollar comes at a crucial time in the drafting of the 1998 federal budget, expected in late February. Martin is under pressure to spend the so-called fiscal dividend—the extra money that will be available after he fulfills his book—as an anti-program or tax cut. Those arguing him to concentrate instead on paying down the nearly \$600-billion federal debt argue that the recent oil-off of the Canadian currency bolsters their case. In a crisis, they say, investors have shown a propensity to flee Canada for the United States. Striking the debt would make Canada a more secure haven when the global economy shadows. "Hopefully that will underline the importance of getting Canada's debt down," Summerville said.

Recent history suggests that Summerville and other debt hawks may get their wish. A case of financial market jitter that hit Canada after Mexico's "peso-crisis" in late 1994 helped Martin make the case for his landmark deficit-slashing 1995 budget. Again this year, distant economic tremors may influence his prescriptions for strong medicine in the Canadian economy.



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That's no joke. In a survey last year, the
Toronto-based consulting firm Marketing
Solutions found that 52 per cent of fund buy-
ers were unaware that they were being
charged an annual management fee.

What is to blame for this appalling state of
ignorance? Much of the responsibility

Bob Bell, president of BellCharts Inc., the
company that prepared rankings for last
week's *Money* report on the best and
worst mutual funds.

In some cases, Bell says, the MER is
based on the fund's expenses over the most
recent 12 months. But at other times, it is an
annualized figure that reflects only those
expenses that were reported in the most re-
cent calendar quarter. Coming up to RRSF
season, a fund company can make its MERs
seem lower than they are by failing to report
legal or advertising expenses until later in
the year. "It would be much better if there
were industry standards, but at the moment
we can only report what the fund companies
tell us," Bell says.

Another problem stems
from the increasing popu-
larity of so-called wrap ac-
counts for investors with
large portfolios. Typically,
members of these pro-
grams pay a sliding annual
fee based on the size of their
portfolios. (The rates can
then be divided among a range
of funds, each carrying its
own expense charge.)

The two-tier fee structure
of a wrap account has significant tax bene-
fits, but it also makes it difficult to compare how
these funds are performing relative to their
competitors. For example, *Top Funds '98*, a
best-selling book by Riley Meynors and
Michael Nairne, includes among its selec-
tions two funds sold under the Optima Strat-
egy brand, both with MERs in the 0.4 per-
cent range. The book does not mention that
Optima funds are available only to clients
who pay a yearly wrap fee of as much as 0.5
per cent of their assets. And there is only one
brief reference in the acknowledgments to
the fact that the company behind Optima,
Loring Ward Investment Group, is a sister
firm of The Equinox Group, for which Nairne
and Meynors both work.

In an interview last week, Nairne blamed
an editor's error for the fact that *Top Funds*
understates the management expenses as-
sociated with Optima funds. Be that as it
may, the case illustrates the need for
greater regulations and more complete dis-
closure by the mutual fund industry.

**The fund indus-
try still has a lot
to answer for
with respect to
the way it reports
fees and expenses**

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Business NOTES

MICROSOFT SETTLEMENT

Microsoft Corp. avoided contempt of court charges by allowing computer makers to offer its Windows 95 operating system without easy access to its Internet Explorer software. The software giant had faced a fine of up to \$1.5 million a day in an antitrust fight with the U.S. justice department. It will face a battle over its plan to combine Explorer with Windows.

MAI IN JEOPARDY

Officials close to the negotiations on an international investment treaty and several unresolved issues could prevent a deal from being reached by the April 27 deadline. Demands for labor and environmental standards, and U.S. restrictions on investment in Cuba are the most serious obstacles in the way of the Multinational Agreement on Investment, they said.

A MUTUAL FEELING

Manufacturers Life Insurance Co. of Toronto unveiled plans to convert to a publicly traded stock company next year. Toronto-based Sun Life Assurance Co. is expected to follow. The insurance companies, which are now owned by their policyholders, say they need access to the equity markets in order to compete against the banks.

UNLOADING BARRICK

TricoHahn Corp. plans to sell its 15-per-cent stake in Barrick Gold Corp. to further expand its real estate holdings. The \$246-million deal would eliminate TricoHahn's exposure to gold, which has dramatically declined in value. The two companies are part of Peter Menzies's business empire.

THE EATONS SHOP BATON

The Eaton family had unsuccessfully to sell its 41-per-cent share of Baton Broadcasting Inc. to newspaper giant Torstar Corp. and NetStar Communications Inc., the owner of TSN. The Eatons want to sell the stock to finance the restructuring of their retail empire.

BROKERAGE IN TROUBLE

McGraw-Hill-based Mathews Lemire Securities Inc. said it would close its stock brokerage operations after failing to find a buyer. Both the Montreal and Toronto stock exchanges are probing the firm's dealings involving a junior mining company.

Pipeline giants near a deal

Energy giants Nova Corp. and TransCanada Pipelines Ltd. appeared close to an agreement that could lead to one of the largest mergers ever between two Canadian companies. Nova is Alberta's largest natural gas pipeline company, while TransCanada operates the main line that carries natural gas from Alberta to Central Canada. Rumors about a pending merger have been circulating since the beginning of the year, helping to boost Nova shares almost nine per cent. "It will be done this weekend or it's dead," Nova chairman Edward Newell said on Friday. Analysts say a union would likely result in lost jobs because of duplication in areas such as pipeline maintenance and administration.

The merger talks were prompted in part by expected competition from Alliance Pipeline Ltd., a consortium of energy companies that is considered the leading candidate to build a \$3.7-billion pipeline to the U.S. Midwest. The National Energy Board is now considering ap-



Pipeline workers' jobs will likely be lost

plications to build the pipeline. Analysts said the two Calgary-based companies, each worth close to \$7 billion, could face opposition from the federal Competition Bureau because of concern that they would have too much control over gas pipelines in Canada. Word of the talks came only weeks after Nova announced plans to split its pipeline and its petrochemicals operation into two companies. Analysts say the proposed pipeline giant would likely damp Nova's petrochemical business, which has been hurt by low prices and fierce competition.

Cable controversy

Rogers Cablesystems Ltd. faced a volley of criticism after announcing a 50-cent-per-hour price hike for customers of free-to-air cable who decline to sign up for the company's newest specialty services known as "McTV." Toronto-based Rogers, whose parent company owns Maclean's, plans to implement the increase on March 1. The price for the Cable Plus Original package, which includes TSN, MacMillan and

AME, will rise to \$4.29 a month from \$6.25. Basic cable prices, which are regulated by the federal government, will remain unchanged. Rogers, the country's largest cable TV company with 2.6 million customers, provided public outrage in 1986 when it introduced so-called specialty services for specialty channels. Subscribers were automatically charged for the channels unless they canceled them. The sign-up rate for the newest specialty packages is reportedly as low as 20 per cent.

FINANCIAL OUTLOOK

Canada's inflation rate fell in December, defying expectations that the Bank of Canada would boost interest rates to protect the plunging dollar. The annual rate dropped to 0.7 per cent from 0.9 per cent in November, well below the bank's target range of between one and three per cent. The decline surprised many analysts, who had expected that the strong pace of economic growth in 1997 would exert upward pressure on prices.

Adding to the cheer on the dollar, inflation fell 1.2 per cent in November following four months of solid gains. The decline was prompted partly by the dollar's weakness, which has made imports more expensive. The early January ice storm could also exert a softening effect on the dollar, as well as on the dollar's value. Canadian manufacturers also suffered in November as shipments and new orders declined, reflecting

soft demand due to Japan's financial crisis.

"The Canadian dollar will remain weaker due to the inflation data, which shows that the Bank of Canada will stay on the sidelines, keeping short-term interest rate steady with the U.S. in negative territory."

—Nesbitt Burns

"We should just live with this low dollar and the market will eventually push it back up. It's not the end of the world—it's not because Canada has done anything wrong."

—Royal Bank



A mountain of debt

Peter Simpson's plunge into debt began with good intentions. In 1988, the Vancouver resident launched a courier service. To make ends meet, he started living on his two Visa cards and re-mortgaged his home. Four years later, the business had gone under and Simpson owed nearly \$400,000. Suddenly, even the minimum payments on his loans were out of reach. With the co-operation of his creditors, he began the long, painful process of paying off his debts, taking in a salary and securing a second job to raise extra money.

With his finances finally under control, Simpson says he has this blunt advice for debt-addicted consumers: Turn those credit cards. But low Canadians seem to share his hard-earned frugality. Lower interest rates have fuelled a buying binge over the past year that has pushed consumer debt levels to record highs. Some observers fear that an economic downturn or a dramatic spike in interest rates could trigger a wave of personal bankruptcies. "We are inching on the edge," says Glen Wilkinson, manager of Credit Counsellors of B.C. Ltd. "It runs up so quickly, it will create a horror show."

Instead of destroying their credit cards, Canadians are now following in a reluctant, painful path to bankruptcy. The way to go even deeper into debt, according to economist Shirley Cooper of the brother agency house Newell Barnes Inc., \$100 billion worth of mortgages will come up for renewal this year. The result: homeowners will not only have as much as \$3 billion extra to splurge on big-ticket treats such as new cars, televisions or renovation projects. With consumer surveys showing that a record 50 per cent of Canadians think now is a good time to buy, low interest rates will be soaked into savings accounts.

As the cost of borrowing has crept down, consumers have been treated to debt with a vengeance, says the Conference Board of Canada, an Ottawa think-tank. Total household debt hit \$564 billion in the third quarter of 1997, up from \$505 billion in 1990. As a result, the average household now carries debts of almost \$64,000 compared with household disposable income of just over \$57,000. Cooper, among others, expects the



Shopping for alternatives to frenzied consumer spending is up, and savings are down

buying binge to continue. "There is still a pent-up consumer demand," she says. "The economy is finally picking up."

The high level of consumer debt is one more troubling sign out against the ability of people to save. Since 1990, the savings rate—which would contribute to registered retirement savings plans—has tumbled from an average of 11.5 per cent of total disposable income to a razor-thin 1.5 per cent. James Franks, chief economist at the Conference Board, says much of that debt has been rung up by people who saw their income stagnate in the 1990s. Desperate to maintain their lifestyles, they pulled out their credit cards. "A lot of the growth in consumer spending was financed through debt accumulation," says Franks. "That is just not sustainable."

Not surprisingly, debt counsellors have never been busier. A record 73,354 people declared personal bankruptcy in the first 10 months of 1997, up 10 per cent from 66,055 in all of 1996. Canadians are now paying an average of about 8.5 per cent on their debts. Cooper notes that lower rates have allowed many Canadians to assume higher debt levels, adding that savings should begin to offset debt as aging boomers catch up

with savings for retirement. Franks, however, says that if rates approach 10 per cent, loan defaults will skyrocket, hurting the economy as consumers stop buying on credit. "The current debt level is manageable," he says, "but it also has built into it the seeds of default if interest rates rise and the economy improves and inflation picks up."

Consumers who want to protect themselves from future rate increases have several options, says credit counsellor Wilkinson. Instead of borrowing more money when the good times roll, he says, they should take the opportunity to pay off debt so they are prepared for the next economic downturn. Second, they should never carry a balance on their credit cards. Simpson, who recently wrote a self-help guide based on his experiences, goes so far as to suggest freezing credit cards in a jar of water and throwing them out only when absolutely needed.

Declaring personal bankruptcy is another, more painful, option. To pay their creditors, bankrupt filers are stripped of nearly all their assets. Even so, Wilkinson says that bankruptcy might be the right course of action for those who cannot make payments that are in arrears or do not expect to be able to meet their current obligations in 36 months. "The majority of people want to pay their debts," he adds. "But it doesn't make sense to sit in guilt to take nine years." If interest rates rise in the coming months, more consumers will surely take his advice.

TOM FENNEL



Peter C. Newman

Presidents are meant to lead by example

At its worst level, the White House scandal that exploded last week immediately triggered an avalanche of lawsuits and offshore jokes, such as the one about Bill Clinton and his wife, which say she, being sent to heaven and hell. Unfortunately, there is a humorous spin-up and Serial Bill's accords into the clinic while the poor John Pauls dispatched to burn through eternity. The error is quickly corrected and the two leaders are ordered to switch places. Luckily, there is an excellent connecting line between the two offside extrusions. They pass each other halfway. The Pope in his own way of finally going to heaven. "I cannot wait to meet the Virgin Mary," he tells the discomfited Clinton, who utters, and should back, "Too late!"

That highly scornful story illustrates the problem with the death of an icon. American presidents are not, like Canadian prime ministers, simply heads of government. They are also heads of state and as such become spiritual and not merely political leaders of their country.

This carries with it a certain responsibility, including the exercise of some basic ethics, such as not indulging in sexual indiscretions in the Oval Office—or the handy cubbyhole beside it, living president of the most powerful nation on earth means seeing an example. Watching more and more of Clinton's sexual escapades become public is so chilling because it firmly sets a pattern. His affairs are not isolated incidents, which would be bad enough, but an entrenched behavior pattern that has persisted into the presidency. Being Hillary means always having to say you're sorry.

The fact that we're neighbors, allies and good friends means that the American president's character affects us in Canada as well. And that's what it's about. Gauging the character of politicians is a relatively new development. In the past, no tendency to believe in politicians' personalities, their promises and their policies. Just Clinton has certainly destroyed that naive picture. Before he became prime minister, his personality seemed sunny and promising. He was the little guy from Shawanaga who would deliver the country from the pomposity and artificiality of Brian Mulroney. Instead, the Liberal government has retreated into mediocrity and lies.

None of the promises Clinton made, such as jettisoning the GST, renegotiating NAFTA and not buying Cadillac limousines, has been honored. No new initiatives have taken their place. Still, Clinton has not spoiled his record for ethical behavior. Bill Clinton's problem is his character, not his personality.

Character is a much deeper passion than personality. Personality can be changed with the occasion, altered by the kind of sit-

ting, training that seems to get most politicians elected. The defining difference is that good character is about socially desirable values. (Doesn't matter where you get your appetite, as long as you eat.)

Psychological assessments of Clinton have stressed the man's insecurity, so deep that it is not measurable. In that way, at least, he reminds me of Richard Nixon, and the only presidential news conference I ever attended. That was at the height of the Vietnam War, which had turned from a diversion to an obscenity, and hung like a dense fog over Washington.

Unexpectedly dressed and made up, Nixon walked into the East Room of the White House on that long afternoon, flanked by aides in blazers and brass hats. In the glow of the television lights and under the loud moans of the reporters' questions, he seemed to be constantly on his guard, staring himself, listening to his own voice, adjusting his cadence, putting the adjectives in their proper order. Nixon's responses, whether they dealt with the tax bill then before the Congress or the My Lai atrocities, came from a man anxious to dispute definitions and shades of meaning when he should have been arranging facts and confessions.

Even though he held the most powerful office on earth, Nixon gave the impression—of Clinton, after three-and-a-half years in power, compelling against himself, trying to stay old and unexcitable. About 15 minutes into the news conference, Nixon began to sweat. As I looked across the magnificent East Room, lost among the tall chandeliers crystal chandeliers hanging from the decorative ceiling, the portraits of George and Martha Washington flanking the stage, I wondered how this great nation could have at its head such a plastic parade of a leader.

I kept watching Nixon, searching for some glimmer of human response under the careful television mask he wore. Of his gloom, his anxiety and he noticed me looking at him. Then, just for an instant—a frozen frame of time—I recognized a man so terrified that he could barely keep himself under control. His bloodshot, berry eyes seemed to be begging for belief. Whenever he mentioned Vietnam, Nixon acted as if his (and America's) sanity were at stake, as if his quest was not to win a bloody contest in some distant battlefield, but to resolve the terrible insecurities within himself. Only winning the war would show the world that he—and America—had not lost their mind.

Bill Clinton has obviously thought his way to prove his manhood, but the source of the two men's insecurity isn't that different. So, thank to Richard Nixon as you wish. Bill Clinton struggling to keep the keys to his office. Neither must deserve the presidency. Still, while we wait for Tricky Dick through the exit door

Like Richard Nixon, Clinton suffers from a deep insecurity that compels him to keep trying to prove his manhood

Health MONITOR

Woe to the couch potato

Canadians are more physically active than in the past, but two-thirds are still not exercising enough to reduce the risk of such diseases as heart disease, osteoporosis and hypertension, according to a report by the Ottawa-based Canadian Fitness and Lifestyle Research Institute. The survey showed that 37 per cent of Canadians over the age of 18 are considered active, compared with only 30 per cent in 1981. "Active" is defined as daily exercise equal to an hour of walking. The report said that inactivity levels were higher among women (66 per cent) than men (60 per cent), and that people living in Quebec and the Atlantic provinces tended to be less active than Canadians in other parts of the country. "A simple message has got to go out to Canadians," said Dr. Nick Buring, president of the College of Family Physicians of Canada, "that any activity is good—but more is better."



CLONING AROUND:

Improving on methods used previously to clone animals, scientists at the University of Massachusetts announced that they had reproduced the birth of identical Holstein calves in a process that could eventually be used to produce drug components and organs for human use. Biologists James Hall and Steven Stone, who unveiled the breakthrough at a scientific conference in Boston, said the three Texas-born calves (only two have been photographed) were produced from cow fetus cells—unlike Dolly, the celebrated lamb born in Scotland last February that scientists cloned from the cell of an adult sheep. Experts said that the technology used in the latest cloning was simpler and more efficient than earlier methods and opened the way for "pharming"—cloning animals with genetically altered genes to act as living factories for drug ingredients and organs that could be transplanted into humans. Stone and Fries, who also work for a Worcester, Massachusetts, biotechnology firm, Advanced Cell Technology Inc., said they hope eventually to use cloned, genetically engineered cows to produce substances for treating such conditions as Parkinson's disease and diabetes.

Hormone hazard

Canadian and American researchers have discovered that high levels of a growth hormone in some men may increase their chances of contracting prostate cancer, a disease that kills more than 4,000 Canadians a year. Dr. Michael Pollak, a researcher at Montreal's McGill University, said the study showed a strong relationship between levels of IGF-1, a hormone that plays a key role in growth, and prostate cancer. The finding, published in the journal *Science*, emerged after Pollak and scientists at Harvard University in Cambridge, Mass., analyzed IGF-1 levels in 304 men and found that those with high levels had a greater risk of prostate cancer. Pollak said if the findings are confirmed, doctors might be able to identify members of the high-risk group and use drugs to lower their IGF-1 levels.

Amniocentesis alert

Women who undergo amniocentesis before the 15th or 16th weeks of pregnancy increase the risk of miscarriage and of having an infant with a clubfoot, according to specialists at the British Columbia Women's Hospital in Vancouver. A study involving 1,374 women began in 1994 and found that 20 out of 100 women who had amniocentesis at 11 to 13 weeks found gave birth to babies with a clubfoot. Normally,

doctors do not perform amniocentesis before the 15th or 16th weeks. Dr. George Wilson, head of maternal fetal medicine at the hospital, said that women who undergo amniocentesis at 11 to 13 weeks should be told about their pregnancies. The British journal *Lancet*, which published the study, said the findings suggest that methods other than amniocentesis be used for early fetal diagnosis.

Smoke and strokes

A 10-year study of nearly 11,000 men and women has shown that exposure to secondhand cigarette smoke can contribute significantly to atherosclerosis, the thickening and hardening of artery walls that often leads to strokes and heart attacks. A study by researchers at Wake Forest University in Winston-Salem, N.C., found that smoking was associated with a 50-per-cent increase in atherosclerosis and that exposure to secondhand smoke was linked to a 20-per-cent increase in the progression of the disease. Commentators writing in the *Journal of the American Medical Association*, which published the findings, said previous studies have usually overlooked the role of secondhand tobacco smoke in atherosclerosis. Causes of the disease include smoking, obesity, high blood cholesterol levels and lack of exercise.

R R S P

Planning Guide 2



Should You be in a Self-Directed Plan?

Should You Borrow Your Down Payment From Your RRSP?

Investment Alternatives

Holding Your Mortgage in Your RRSP

Negotiating Mutual Fund Fees

If You Have a Million Dollars

How to Shop for the Best Guaranteed Rates



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A Summary of the Rules

The deadline for contributions for the 1997 tax year is Monday, March 2, 1998. Your maximum deductible contribution is 18 per cent of your 1996 earned income to a maximum of \$13,500. From this, you must subtract any pension adjustments if you are a member of a pension plan. However, you can add to your contribution any missed contributions from previous years beginning from 1991. If you do not use all your contribution room this year, you can carry it forward indefinitely and get a tax deduction when you make your contribution at some future date.

You can also make your contribution for the 1998 taxation year anytime during 1998 and in the first 60 days of 1999. The maximum contribution continues to be \$13,500 based on 18 per cent of 1997's earned income.

The contribution limit is scheduled to rise by \$1,000 to \$14,500 in 2004, and by another \$1,000 the following year to \$15,500.



Maximize Your Returns with a Self-Directed Plan

You can have as many RRSPs as you like. But you will likely gain some benefits by holding your RRSP investments within one self-directed plan. You will pay only one trustee fee, so your costs will almost certainly be lower than if you held several plans; your holdings will be shown in one statement, an important consideration if you like to monitor performance and asset mix easily; and you will be able to minimize the foreign investment portion of your RRSP, an important consideration for boosting your returns through international exposure.

A self-directed plan can be looked at as a basket holding several RRSP-eligible investments, or as a single portfolio. You can hold a conservative mix of investments, such as shares of senior public companies, strip bonds and other fixed-income investments, or a mix of mutual funds invested in different segments of the market or with different management styles. Alternatively, you can manage

your plan aggressively by concentrating in narrow segments of the market in the hope of getting superlative returns. That, however, can be a dangerous route and is best left for investors who both understand and can tolerate the risks involved.

You can attempt to boost your returns in a self-directed plan by writing call options on certain holdings. And if you are strapped for cash, you can contribute bonds, GICs, shares and other eligible investments to your plan and get a tax deduction equal to their market value.

Check with your advisor before you do this because there may be tax implications. If you contribute shares or mutual funds to your RRSP, you will have to pay tax on any taxable capital gains, just as if you sold the securities. If, however, you contributed securities that cost you more than their current market value, you cannot use your losses to offset any gains. You would be better off selling the securities and contributing the cash to your RRSP. You can also use a self-directed plan to hold your own mortgage.

Every mutual fund management company offers its own self-directed plan to hold various funds within its family, generally charging annual administration fees of about \$25 to \$35. But anyone who holds funds issued by more than one manager or a variety of securities including stocks, bonds, and mutual funds should opt for a plan that provides for a range of securities.

These are available from virtually every full service and discount investment dealer, mutual fund dealer, trust company and bank. The basic annual cost of most plans

generally falls within the range of \$100 to \$150 although a few have discounted rates if you hold only mutual funds, Canada savings bonds, guaranteed investment certificates, treasury bills and strip bonds. Some offer the first year for free as an incentive to move from another administrator. You may also face some additional costs, depending on the plan. For instance, most brokerage house plans will not charge you a transaction fee if you trade through them. Some bank plans charge transaction fees of about \$50 if you buy a competitor's no-load mutual fund. One trust company whose plan is offered through mutual fund dealers waives transaction fees on electronic transactions, but charges \$50 a trade when paperwork is involved. Some plans allow options, others do not. If you intend to hold your mortgage in your self-directed plan, budget \$200 for the annual administration fee as well as hefty setup, renewal and discharge fees. Most funds provide monthly statements if transactions occur, and quarterly otherwise.

Choose Your Investments Carefully

Make sure you understand which investments qualify for RRSPs. Mutual funds, shares of public companies traded on Canadian exchanges, deposits with Canadian banks, mortgages on Canadian property and federal, provincial, municipal and many corporate bonds are some of the more common qualified investments. Call options on listed shares, warrants to buy listed shares, exchange-listed limited partnership units and royalty trust units qualify as well. You can even hold foreign government bonds within what is called the 20-per-cent foreign property limit provided the bonds have an investment grade rating from a bond-rating agency.

Investments that are not qualified include gold and silver bullion or certificates, commodities futures, real estate, put options and shares of private corporations, although mutual fund trusts that hold real estate or gold and silver are eligible investments. If your RRSP acquires a non-qualified investment, its value must be added to your taxable income. However, when your plan disposes of that non-qualified investment, you can claim a deduction of the lower of market value or the amount previously included in income. If an investment in an RRSP becomes non-qualified, the plan is subject to a tax of one per cent a month on the value of that investment as long as it is held. Moreover, the plan must pay tax on any income earned on the non-qualified investment. While it is rare



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for a qualified investment to become non-qualified, it does happen. For example, debt in a private company issued in exchange for shares of a public company would be a non-qualified investment, as would real estate acquired by an RRSP because of a mortgage default. In the latter case, however, you would have a year to dispose of the real estate before the RRSP would begin ticking in.

A more important concern for most people is the limit

on foreign investment. You can hold up to 20 per cent in what Ottawa calls foreign property. The most common types of foreign property are shares of foreign companies traded on certain stock exchanges (including U.S. over-the-counter shares quoted in the Nasdaq listing) and mutual funds that themselves have more than 20-per-cent foreign property. By investing in foreign property, you can participate in industries that are not readily available in Canada, such as certain areas of technology or health care. You can also invest in markets that may be at different stages of the investment cycle than Canada or that offer greater growth potential. The 20-per-cent limit applies to each individual plan, not the total value of all your plans. Consequently, by keeping all your investments in one plan you can maximize the dollar amount you can invest in foreign property.

You are responsible for keeping track of your foreign holdings. If you exceed the 20-per-cent limit through purchases, you will be subject to a tax of one per cent a month of the excess value. The limit is based on cost, not market price. So the tax will not apply if your foreign holdings appreciate more than your Canadian holdings, boosting the market value of your foreign property to more than 20 per cent of the market value of the plan. To avoid exceeding the limit inadvertently, arrange to have any dividend distributions from foreign property mutual funds paid as cash rather than additional units.

You can, in fact, boost your foreign exposure well beyond 20 per cent without breaking the rules. There are numerous bond funds that invest in foreign currency bonds, but that are 100 per cent RRSP-eligible. Do this by

investing in foreign currency bonds issued by Canadian provinces, banks and corporations or by certain entities such as the International Bank for Reconstruction and Development, which Ottawa considers RRSP-eligible without limit. In addition, several equity mutual funds let themselves to foreign markets by investing a relatively small part of their portfolio in stock market index futures while keeping more than 80 per cent in Canadian treasury bills.



You Can Hold Your Own Mortgage in Your RRSP

There are some benefits to holding your own mortgage in your RRSP. If you pay the money to yourself, you will not feel too much if you choose a five-year term and rates subsequently drop. Similarly, if you choose a floating rate and interest rates rise, you will not be too upset knowing that the increase in mortgage payments is going towards your retirement.

You can hold your own mortgage in your RRSP provided you follow some very stern rules. The mortgage must be insured under the National Housing Act or through a mortgage insurance company. The mortgage must be administered by a bank or trust company or other approved lender. The interest rate charged must be the same as the rate charged for similar mortgages in the open market. If you default on the

mortgage, you will not get special treatment. The bank or trust company will take whatever action is necessary to collect the funds for the benefit of your RRSP.

Holding your mortgage in your RRSP is not cheap either. In addition to the annual fee of \$400 to \$150 that you pay for a self-directed RRSP, you can expect to pay a setup fee of \$100 or more depending on which institution you choose, an insurance premium that will run about \$75, and an annual administration fee of \$200 or more. In addition, you will have to pay your legal fees—which could top \$1,000—and face renewal fees of up to \$150 each time the mortgage comes up for renewal.

You normally would not go out and replace your existing mortgage with a mortgage from your RRSP. The costs would outweigh any potential savings. But it is an option if your current mortgage holder decided to withdraw from the market and informed you it would not renew when



your mortgage came due. Of course, holding your own mortgage should be compatible with your investment objectives. Your mortgage is a reasonable alternative to fixed-income investments, such as bond and mortgage mutual funds or GICs.

If you do place your mortgage in your RRSP, you must decide how you will invest your monthly payments. Unlike many other RRSP-eligible investments, there is no automatic reinvestment plan available when you hold your own mortgage. You should also realize that you will have a major portion of your RRSP savings in a single asset that cannot be easily liquidated to allow you to go into more promising markets.

Is the Home Buyer's Plan for You?

If you are planning to buy or build a home this year, you may be eligible to borrow up to \$20,000 from your RRSP. Your spouse, if you are married, can withdraw up to \$20,000 from his or her RRSP, too, to use towards the same home. You can do this under the Home Buyer's Plan program provided you (or your spouse) did not own a home that you occupied at any time during the period beginning Jan. 1, 1994, and ending 31 days before you

withdrawal funds from your IRSP

You will have to repay the money to your RRSP in 16 equal installments beginning in 2000. If you miss part or all of a payment, Ottawa will simply tax you on the amount owing for that period as if it were income.

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Q. Should I pay down my mortgage or put the money in my RESP?

A. There is no simple answer. Your decision should reflect the interest rate you pay on your mortgage, whether you get a significant tax break from making an RRSP contribution and the rate of return you are likely to earn on your RRSP. If your current income level is relatively low, you are probably better off putting the money towards your mortgage and catching up on your retirement savings in the future when your tax savings from RRSP contributions will be greater. Alternatively, contribute to your RRSP now, and use the deduction in later years to slow down your mortgage.

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directly rather than get information second-hand from a dealer. You will save significantly on fees compared with mutual funds and brokerage house wrap accounts.

Your management expense ratio or your ongoing costs from holding an equity mutual fund are generally in the two-per-cent to 2.5-per-cent range. Your counselling fees on a \$750,000 to \$1-million account will almost certainly be less than 1.25 per cent. Custodial and trustee fees will add about one-quarter of one per cent. A one-percentage point savings on fees on a \$1-million account is \$10,000. You will pay

no commissions or redemption fees. Moreover, you are not locked in for any period of time.

Only a few years ago, most investment counsellors confined their services to the lucrative pension-fund market. The market has changed and more and more companies are offering their services to individuals who have accumulated substantial assets.

Kelly Rodgers, president of Rodgers Investment Consulting of Toronto, notes that a key advantage of using an investment counsellor is having a portfolio developed to meet your unique needs. Typically, the counsellor will meet with the potential client to determine his or her objectives then develop a portfolio that will meet those objectives. Rodgers acts as a consultant to individuals and organizations who require an investment manager. She is the publisher of several regional directories of investment counsellors that are distributed primarily to the legal and accounting professions, but are available to individuals.

The high net worth segment of the investment counselling market has been growing rapidly. Rodgers notes that the major banks have affiliates that offer counselling services to high net-worth individuals. As well, several of the major mutual fund management companies have affiliates which serve this segment of the market and provide the same management as their mutual funds but at half the cost. Up to half of a mutual fund management fee can go towards payment of a trader commission to a broker or dealer.

Rodgers notes that different investment counselling firms have different management styles, so it is imperative that a person chooses a firm whose management style they are comfortable with.

Investment counsellors are regulated provincially and must meet distinct educational and experience requirements for registration. In addition, most Canadian investment counsellors are members of the Association of Investment Management and Research which sets rigid ethical and professional standards that are recognized internationally.

For more information contact:

Rodgers Investment Consulting
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RRSP during the 89 days before you withdraw funds from your plan, if the money contributed during that 89-day period is part of the money you withdrew towards buying the home.

The Home Buyer's Plan undoubtedly benefits people who would otherwise not have the funds to buy a home. But even temporary withdrawals from an RRSP will almost certainly diminish the overall amount you will accumulate for retirement. Rather than using the full 15 years, you should strive to repay the amount withdrawn as quickly as possible.

You should structure your RRSP portfolio to reflect your anticipated use of the Home Buyer's Plan by moving the money you intend to withdraw into the lowest risk investments possible, such as money market funds.

Cutting Transaction Costs

Small differences in returns over time can have a substantial impact on your retirement income. So it pays to squeeze your transaction costs as much as possible to boost your overall returns on your RRSP capital. Savings of even \$500 a year over 10 years will grow to just under \$9,000 of additional assets in your plan assuming an average earnings rate of 10 per cent. That is worth at least \$1,000 of additional annual income during retirement.

How much you can potentially save depends on the types of assets you trade, their value and, realistically, whether you can afford to give up the advice you are currently getting. If you are truly dependent on a broker's advice for stocks and bonds and are happy with the results you have obtained, cutting costs might be penny-wise but pound-foolish. If, on the other hand, you find that you initiate most transactions, you should consider what your savings would be if you used a discount brokerage house. Savings are generally at least half of a full service dealer's charges, and electronic trading is bringing fees down even more. If you decide that you want to trade through the Internet, play it safe by dealing only with Canadian firms.

Cutting costs when buying mutual funds for your RRSP might be more a matter of negotiation than changing weights. Unless you deal exclusively in no-load funds, which have no commissions or redemption fees, you buy your funds either with front-end loads—which can be as high as nine per cent but rarely exceed five per cent and which can be negotiated as low as zero—or with deferred declining redemption fees. Redemption fees, depending on the fund family, will be as high as six per cent in the first year, 5.5 per cent in the second year and five per cent in

the third year, falling to zero in the seventh and subsequent years. Redemption fees are more often than not calculated on market value at the time of redemption rather than at cost. As a result, the dollar amount of such fees on a fund that has appreciated substantially can be much greater than the amount that would have been paid if that fund had been purchased with a front-end load.

Buying on deferred declining redemption fee basis is the least expensive route if you intend to remain within the same fund family, because you can switch from one fund to another without triggering a redemption fee. You can also redeem free of charge any units you receive as a result of a distribution of income by the fund. If, however, you are an active trader moving from fund to fund and

using funds of different families, you are probably better off buying your funds with a small front-end load. You can, in fact, buy funds with a zero commission either by negotiating with your mutual fund sales representative or by dealing with one of several firms that advertise zero commission transactions.

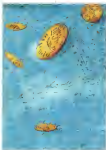
Dealers who sell on a front-end load basis earn a trailer commission that is generally half of the management fee, or about one per cent of the value of your assets in the case of equity funds. Trailers paid on units purchased on a redemption fee basis are generally one-quarter of the management fee or about 0.5 per cent for equity funds.

Pay Fees from Your Pocket

The fees you pay for administering your RRSP are not deductible from income for tax purposes. Nevertheless, you should arrange for the trustee to bill you separately and outside your RRSP rather than take the fee directly from your plan. Money in an RRSP grows untaxed and \$100 a year of additional funds can grow substantially over a couple of decades.

The Group Plan Alternative

Your employer, industry or professional association may offer you an RRSP alternative called a group plan that can provide you with immediate tax savings, lower management fees or both. Employer plans offer the convenience of payroll deductions with reduced tax withholdings so you do not have to wait to the following year to get a tax refund. Some companies match employee contributions. Industry and professional association plans can often negotiate a sharp reduction in management fees from what you would pay as an individual holding a mutual fund. Many plans offer you a choice of asset mix. A few go so far as to offer you alternative investment managers.



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Usually, it is to your financial advantage to join a group plan if available. However, you should still look closely at any potential pitfalls. Make sure that your costs are competitive. Many plans, especially association plans, offer investments on a no-load basis. Others, however, may have acquisition or redemption fees. You should also determine in advance what costs you will face if you change employers or leave the sponsoring group.

How to Shop for the Best Guaranteed Rates

Do not overlook fixed-term deposits for your RRSP. While the interest rates paid are half their levels of a few years ago, they still have certain advantages. Your rate of return is guaranteed by the institution taking your deposit and your principal is generally insured. Minimum deposit rate is \$500 at most institutions, but a few require larger amounts.

Most offer terms of six months to five years. Your interest rate is fixed for that period and you generally cannot have access to the funds before the deposit matures. Those that allow access to funds cut the interest rate paid if the interest is cashed.

At least one major bank offers terms longer than 60 months. However, any deposit with a term longer than 60 months is not covered by deposit insurance. This is unlikely to be a consideration if you are placing your funds with one of the top six financial institutions in the country. But deposit insurance is key for most investors who deal with smaller institutions.

Virtually all banks, trust companies and credit unions pay and compound RRSP interest annually. Usually, interest is reinvested at the initial rate you were offered. So if your deposit is for five years at five per cent, your money will likely be reinvested at five per cent. However, you should read the fine print and ask to see the reinvestment schedule spelled out because some institutions reinvest interest at their savings rate, which could be a pitfall compared with the rate you think you are being paid.

The banking system is awash with cash so few institutions are willing to pay premium rates to attract cash. Nevertheless, the rates you see posted at the various financial institutions are not necessarily the rates they will pay banks and other financial institutions spend a lot of money attracting and maintaining customers. Each branch is a profit centre and has some leeway in what it pays on deposits or charges on loans. What you get above

the posted rate depends on your level or potential level of business with a branch. You can probably get an extra eighth or quarter of a percentage point over the posted rate with little difficulty, particularly if you are transferring funds from another institution.

You can spend a lot of time shopping the market or lining up to make your contribution or renew maturing RRSP deposits. An alternative is to go to a deposit broker who will shop the market for you and get the best rate possible. The institution pays the broker a small fee for bringing it the funds.

David Newman, president of Fiscal Agents of Oakville, Ont., has been operating as a deposit broker for two decades. He deals with about 80 banks and trust companies and attests that he can often get significantly higher rates than individuals. He adds that many people deal with deposit brokers because of the convenience.

Deposit brokers are in a segment of the financial services market that is unregulated. Newman and many of his competitors, however, are regulated by provincial authorities as mutual fund dealers and limited market dealers. Moreover, a number of deposit brokers have banded together to form an industry association, the Federation of Canadian Independent Deposit Brokers. Newman says that "an investor should always make the cheque payable to the financial institution." The broker counters the cheque to the institution. ■

For more information contact the **Federation of Canadian Independent Deposit Brokers**
177 Lakeshore Dr.
Suite 1, Box 59
R1 2
Wheatley, ON N0P 2P0
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By Steven G. Keim

Steven G. Keim is the author of *RRSPs 1998 and Understanding Mutual Funds*, and co-author of *Sage Advice: Choosing the Best Financial Advisor for You*.

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People

Edited by BARBARA WICKENS

Callwood cares

The opportunity to host TV conversations was not to be missed. "It is not everyday that a 73-year-old—especially a woman—gets to host a program," says social activist and journalist **June Callwood** about her latest television project. Another reason for her enthusiasm: The show covers a topic dear to her heart, before death of others. Conversing with **June Callwood**, which premises on the radio specialty channel *True TV* on Feb. 1, is a 13-part series for those coping with medical, emotional and financial issues surrounding caring for aging or incapacitated loved ones. Each program will focus on a particular topic, such as accommodation, dementia and palliative care, with prepared features and a panel of experts in those areas. In the second half of each hour-long show, viewers can ask questions via telephone or fax, or by visiting the Web site at www.conversations.ca. Callwood is glad to share the on-airing part with her co-host, Toronto psychiatrist **Dr. Irene Walcott**. "I've done phone-in programs before," she says, "but I think *True TV* let me answer some of the broader psychological questions."

Callwood has been involved with caregiving most of her life. She co-founded a women's hostel, *Stella's*, in 1974, a centre for prepubertal teenagers, *Jessie's*, in 1982, and the AIDS hospice *Cissy House* in 1988. In 1985, she was one of a team of 60 friends who provided home care for retired schoolteacher Margaret Fraser for nearly months before she died of cancer. Callwood co-authored *Fraser's Journey* in *Twelve Weeks in Spring*, the best-selling of her 28 books.

How *True TV* gives a topic dear to her heart

While she had lots of help that time, she knows not everyone is so fortunate. "We need to think about who will care for the caregiver."

Timeless Trudeau



The former PM's nose

It was Trudeau's nose at issue again, in a second-down '96 version. Last week, when **Pierre Trudeau** attended the Toronto launch of the English language version of *City Lines*, the federa list magazine he co-edited found in 1950, more than 500 admirers showed up. At 76, the former prime minister is more frail than when he left office in 1984, but he still has that cat-and-mouse manner with reporters. When asked if he wanted to talk about the magazine, Trudeau replied, "Not particularly." Why was he in the launch? "Why are you here?" he countered. Young Liberals and party faithful freed bottles, shaking hands and getting autographs after waiting patiently to have "He had a sense of vision and a passion that seems to be coming from politics today," says Martin Butler, 26, glowing after his personal meeting. "It's a big hit."

Through immigrants' eyes

Prime Minister **Lindsay Laundy** and **Peter Raymond** went to different schools in Toronto, but their lessons were the same. "All we heard in Canadian history was the two founding fathers," says Raymond. "The story of immigrants was never told." The Toronto-based husband and wife team have recalled that occasion with a 13-part documentary series, *A Scattering of*

Souls, running until April 8 on History Television, that celebrates the lives of newcomers to Canada. Tracy, 46, whose French ancestors arrived 10 generations ago, and Raymond, 47, a first-generation Canadian, collected more than 300 proposals from independent film-makers, about everything from early Irish and German settlers to the more recent Japanese and Sikh immigrants. "They were all so different, it was like choosing among your children," says Tracy, who has a seven-year-old son with Raymond. The series uses photographs, charts and letters to personalize the tales. "What comes through in all of these stories is the community of spirit," says Raymond. "They are universal."



Raymond, Tracy: A fresh take on Canadian history



Shelley (left), Aykroyd, Whelan, Mushamner, Martin, Myers, music director Bob Denard, and Jack work of making people laugh

Another laugh riot

BY JOE CHIDLEY

The push is on to get everything right. With only a week to go before Second City Toronto's glitzy new theatre on like Jay's Way welcomes an opening-night crowd, workers are busy putting on last-minute touches. In the foyer, unlit cigarettes burn in scattered ashtrays, as buzz saw whine and hammers thump in a symphony, not-re-jangling symphony. Backstage, cast members Jack Mushamner and Jennifer Irwin are fished out in a couch, her head falling on his substantial shoulder in a blurry-eyed testament to a show-business truce: comedy is bloody hard work. This time, though, the cast is feeling a tension beyond the regular grind of misadventure, pretenses and 12-hour days. "We want to do justice to this beautiful space, as well as to the history," says cast member Jack Martin. "It's been a really exciting time, but we're all a bit nervous."

Small wonder—because the venue the cast has been so busily working on for the past three months marks nothing less than the beginning of a new era for Second City. One reason is the new space: call it Old Fitchell, the company's dilapidated shrine on Toronto's cast site, and enter the new, 250-seat, state-of-the-art building in the heart of the Theatre District, hard by such long-standing legit houses as the Princess of Wales and Roy Thomson Hall. And then there is the history. This year the improvisational Canadian company that launched such now-famous comedians as Dan Aykroyd, John Candy, Martin Short, Mike Myers, Catherine O'Hara, Gilda Radner—the last given on or off—began a new act 25. Under the circumstances, then, a touch of pre-opening-night jitters for the young troupe may more than end and revivified. Opening on Jan. 18, from now on—called *What Fresh Hell Is This?*—will likely be the most-watched Second City revue in years.

If their work in previous live weeks was any indication, the seven-member cast—Martin, Mushamner, Irwin, Angela Shelton, Marc Hudson, Jennifer Whelan and Jerry Minner—has nothing to worry about. Some of the sketches are gut-bustingly funny. One stand-out is a routine by Martin as an unreluctant client being forced to let a smoking, but silent taxi driver (Mushamner) use his toilet, leading to a paranoid jukebox song with the theme, "There's a toilet in my bathroom." Then, there is a scolding tirade on corporate culture, in which two satirical motivational speakers (Brown and Minner) try to buck up the spirits of downcast salesmen. In all, *What Fresh Hell Is This?*—the life is led to new Toronto comedy major McLaughlin—serves as a reminder that the best most stand-out there is not on TV, in trendy sitcoms or the infamous comic: anyone that is *Saturday Night Live*, left in person, changes and in your face. That, of course, is the Second City tradition.

The roots of the company lie south of the border, where in the mid 1960s a group of University of Chicago students—among them Elaine May and Jerry Seinfeld, later joined by Ed Asner, Jerry Schiff, Anne Mearns and Alex Jaffe—started up The Campus Players. In 1969, the actors-writers found a permanent home in an old Chinese laundry and renamed themselves The Second City—a derogatory nickname that New Yorkers had long used for Chicago. The company's wisecracking, biting satire and commitment to actor-writer material made it a hit, and in 1973 producers Bernard Sobell and Joyce Shans engaged the idea to Toronto. But the first Great White North experience—with cast leader Joyce Eastwood and Joe Flaherty, along with Radner and Aykroyd of later *SNL*, came—lasted only six months, owing to the fact that it never got a liquor licence.

Enter Andrew Alexander. British-born but

soon, and still ailing in syndication throughout North America and the world, SCTV remain the best-known incarnation of Second City-style comedy. The Old Fireball became a virtual factory of comic talent, the first step in the careers of among others, Short and Myers, as well as such Canadian actors as Patrick McKenna (host of TV's *Travlers* and *The Red Green Show*) and Kathryn Greenwood (*Wind at My Back*).

The hijinks of its cast and staff are part of Toronto theatre legend. Like the time in the 1970s when Alexander, ever looking for new additions to the old dinner theatre, came up with the *Opium Minder*—a sketch topped with opium—which made everyone in the audience sick. Or the night when *SNL* star-to-be Bill Murray, visiting from Chicago, levited a hooligan to "take it outside"—and in the scuffle broke the guy's arm. "Every night was like a kitchen party—people would forget their lines, or not show up, or

get drunk," recalls McKenna, who started as a doorman, and then joined the troupe from 1980 to 1992. "But it was Second City, and you knew that John Candy and Dan Aykroyd and Martin Short—any name that meant anything—started in that little room. It was a university of comedy."

Alexander, meanwhile, turned Second City into an empire. Along with his partner, Toronto businessman Leo Shaur, he bought the Chicago operation in 1982, and then opened Second City Detroit eight years later. The company has also got into business education, running a booming corporate-video operation and offering improvisational training for executives. (An arm of Second City that the performers clearly like to poke fun at, an *on-policy* show, above.) On the less maverick side, the company runs an improv school and has established an outreach scholarship program in all three cities designed to attract an ethnically diverse talent



Myers in a 1987 Second City sketch; Aykroyd and Levy in 1974; Alexander (below)—teaching in the footsteps of giants

At 25, Second City opens a new Toronto home

raised in Toronto, Alexander—then a small-time stage producer—had become friendly with Second City's owners while working for a year in Chicago. After the first Toronto company folded, Alexander saw opportunity on his home town. "Basically, I got the rights to do it up here for a buck," he recalls. "And yes, it was my last buck." Borrowing \$7,000, he mounted Second City Toronto in February 1974—with a singer and a def. friend theatre, a converted 700-year-old hall. For a while, the cast (Flaherty, Radner, John Candy, Eugene Levy and Rosemary Radcliffe) had to compete for attention with the rock bands that played on the other side of the bay theatre. "The only way we could attract an audience was to offer live drat," says Alexander. "I think the audience thought they were there for the beer and the rock 'n' roll—and the comedy was incidental."

Not for long, of course. With the launch of SCTV in 1978, local cast members like Candy, Levy, O'Brien, Andrea Martin and Dave Thomas (a former advertising copywriter) took their act to the small screen and became international celebrities. Running for seven years on Canadian and U.S. televi-



pool to Second City. "Diversity is a real big issue for me now," says Alexander, 53. "It's really about material—we need to reflect the community, and the face of Second City is changing in that regard."

It's all part of the Second City challenge—to keep it fresh and new. "Every single day," says Shelton, a 35-year-old import from Detroit. Second City "somebody has an idea and somebody else says, 'What's that on the *Snowpans*?' or, 'Didn't they do that three years ago in Chicago?' And on the walls of the new theatre—framed with images of former cast members, along with a lone photo of the current troupe—there are more than enough reminders that today's Second City performers are treading in the footsteps of giants. For the actors, it can all get a little intimidating. "When you come to be there the show, you are people looking at the pictures and remembering all of them—except you," says Martin. "They're like, 'Who the hell is that?' If there's justice in comedy, however, it's only a matter of time before Martin, Shelton and the others draw sales and acts of their own. For now, all they have to do in what Second City Toronto has done for 25 years inside 'em laugh. □



Burden of dreams

BY BRIAN D. JOHNSON

His eyes have an unswerving awareness, a quavering gaze that suggests more is going on behind them than he would care to admit. And whether that is guilt, rage, fear, lust, desecration or divine light seems to depend on the role. Ralph Fiennes is truly protean, shape-shifting from the salubrious Alan in *Schindler's List* to the devious Ian in *Queen Bees*, from the cyberguide in *Savage Days* to the smoldering lover in *The English Patient*. Now, in *Oscar* and *Lacrimosa*, he pulls off another remarkable make-over. As Oscar, Fiennes plays a geeky chrysalis with pilled skin and fluorescent hair, a screen-eyer incited by a supernatural and asexual of his own shadow.

Based on the 1986 Booker Prize-winning novel by Peter Carey, *Oscar* and *Lacrimosa* is a 20th-century renaissance between two madras that involves a quibasic journey into the Australian Outback. Oscar, the son of a paranoiac preacher from rural England, becomes addicted to gambling while studying to be a scholar at Oxford. Sentenced by guilt, he tries to shake the habit by sailing to Australia to become a missionary—despite a paralyzing phobia of water. On the ship, he meets Lucinda (Kate Blanchett), an independent-minded Australian woman who has bought a glassworks, and is also a compulsive gambler. Oscar is in love with God. Lucinda is in love with glass. Gambling brings them together.

Blasphemy, Fiennes' guttural, repressed sexuality, and a church floating down a river

romantic fable of a poor artist trying to woo a rich girl away from her parents' water. Playing the pious-perfect couple in *Great Expectations* are Gwyneth Paltrow and Ethan Hawke. And—just as with Kate and Leo—their first steamy scene together involves her posing nude while he sketches, furiously chalking in nappies and pubes hair. It is as if Hollywood has suddenly discovered the beauty of art—“They, what a concept, we get these hot young stars, and even if the girl doesn't want to show her breasts, we can have the cameras peek,” says.

Set in contemporary Australia, *Great Expectations* is loosely based on the classic novel by Charles Dickens, so loosely that, for anyone familiar with the book, the cap-particle becomes distracting. Fife character becomes Tim (in *Black*), a budding artist who has been raised by a shipping father in the Florida Gulf. Robert De Niro, working from the hairy deep like a phantasm from *Cape Fear*, plays the escaped convict who gets the boy to help him. And a later-mentioned Anne Bancroft turns it up as Kate Winslet, the film's version of the embittered Miss Havisham, a Point Beach madon with Sissy's Redhead delusions. The story begins with Fife's childhood and Nora summoning him to her decaying mansion. There he meets the love of his life—Nora's niece, Estelle—who gives the 11-year-old boy a French kiss while drinking at a dinner. Quickly morphing into Ethan Hawke and Gwyneth Paltrow, they cross paths again in Manhattan high society after separate parents revive Fife to escort a new man down at a prestigious art gallery.

Mexican director Alfonso Cuarón (*A Little Princess*) leads the story a whimsical sketch that seems intended as naive realism. But it plays out as a cross between a mass video and a chance encounter. The depicted narrative, meanwhile, relies on Fife's earnest narration to plot over the road. “I'm not going to tell the story the way it happened,” he announces. “I'm going to tell it the way I remember it.”

Fife, the way Fife tells us to Estelle's white, “Everything I do, I do it my way,”—Rocco reborn as Bryan Adams—gives you wonder what the Dickens is really going on. □

In two fables, lovers gamble on unlikely romance

In its compressed passage to the screen, Carey's tragicomic narrative lays a few traps, especially in the first half, which seems fragmented. But once the two leads connect, their glidely expressed chemistry is irresistible. And from the opening shot of light rippling on water, Australian director Gillian Armstrong (*My Brilliant Career*, *Little Women*) seduces the viewer with luscious images, so that when violence eventually strikes—with heat, violence of beauty—the effect is horrifying.

Between *Lacrimosa*'s passion for glass and Oscar's fear of water, the movie literally shimmers with metaphor. And its reflection on the fragility of the human condition merges in one rapturous image—of a glass church floating down a wilderness river on a raft. As a tale of colored dreamers hauling baroque objects into aboriginal wilderness, the film is reminiscent of both *The Piano* and *Picnic at Hanging Rock*. But it also offers an analogue of narrative to the reigning blackboard: if *Titanic* is the last gasp of dreams drowning in life, *Oscar* and *Lacrimosa* is the crystal nightmare.

It seems that *Titanic* has carried the market on the verge of more ways than one. No sooner has *Rain*, *Wilder* and *Leonardo DiCaprio* saga and the water war of their seeds than along comes another soap-op-



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F^Alan Fotheringham

Two Dr. Foths? Oh, please say it ain't so!

Two lawyers, one by phone, one by mail, have been agonizing about this scribbler. Thus not surprising, since your favorite computer-stained wretch has seen the inside of more than a few law suits.

On this occasion, it all turns out to be innocent. One Tom Fotheringham, it seems, is sought out as a witness in a relatively harmless, minor court case and has told someone, somehow, that he is my brother. And the legal hangers-on, and presumably would like some help in determining his phone number. Brothers should know such things.

This is very strange. Unless my 88-year-old mother, the strangest person I have ever met, has been lying to me all these years, I have no brother by the name of Tom Fotheringham. Does she have a secret she has been hiding from me, all these 40 years when she led the choir in the German United Church in downtown Santa, British Columbia? Perhaps we should have a phone call. Does the alleged Tom Fotheringham actually want to be related to a guy who spent a night in jail in Miami, the Portuguese colony down the coast from Hong Kong, for smoking a few cigarettes in a casino after a losing night, and living as a recluse, only to be blindsided by the following ridiculous arrest with the casino's security guards? We think not.

On reflection, I do recall last year seeing a byline—Tom Fotheringham—for a few weeks in *The Toronto Star*. I immediately felt sorry for the poor chap. Would he become accustomed to all those legal blunders from Bay Street passing matters down his protesting lungs? Could he actually produce photographs that he has been kicked on the top of the head by the glacier above Whistler Mountain? I would want to be in a serious criminal trouble before claiming to be the brother of someone who has met more lawyers than McDonald's has sold hamburgers, and who has a belief in the solidity of spaghetti and can't either serve in a light bulb or balance a cheque book.

My children, the larval Fotherms, run screaming from the room at the sight of my world-celebrated Meadow Muffs, the Sunday morning newsletter that contains everything but the kitchen sink (or bad jokes, parts of that, too).



Tom Fotheringham—being about their age as has been ascertained—would be applied (as they are) by my collection of 78s and 45s of Billy Eckstine, Ray Starr, Tommy Dorsey (with Jimmy), Jerry Herman, Ethel Merman, Matt Seld and Fred Allen—"you could take all the slattery in Hollywood and back it into the navel of a goat, with room left over for an squid's heart."

No jury, on examination, would ascribe any credibility to a relative asked to verify the qualifications of a witness in whatever hazy legal case.

As someone who likes computers, telephones, macrowaves, soap operas, snow (but likes skiing), ice hockey (but likes hockey), like Vinylic boards on 23-year-olds, an air conditioner and archery, what credibility would such a blithe have before a politically correct jury?

Under deep research, the Tom Fotheringham who is my alleged relative turns out to have worked at *The Toronto Star* briefly and as editor-in-chief of his own printing, printing and association but they unfortunately did not have room to squeeze him in.

This fits. The Celtic gift of the blarney. Who is my alleged relative? Fotheringham, if you must know, the family name somehow came from Normandy France in Scotland, where it became Fotheringham. Everyone thinks Mary Queen of Scots was beheaded at the Tower of London. In fact, she was beheaded at Fotheringham Castle outside Nottingham, where I once sat on the mat with a half of oak brown ale and cheese.

Capt. Douglas Fotheringham, six inches from his post as paymaster at Aldershot Canadian Army base in England, went to Edinburgh one weekend and was referred to a house that would give a bed to a serviceman. "Hello," he said. "My name is Fotheringham." "Hello," said the white-haired lady, "my name is Fotheringham." There are some 130 Fotheringhams in the Edinburgh phone book.

If the truth be told, I actually do have a brother. Dr. John Fotheringham who worked, while raising a fine family, for 14 years in night school and summer school to earn his PhD to become a superintendent of schools in Seattle and now has built a magnificent home in Mount Vernon, in Washington state, so high on the slopes that he can see Vietnam from his deck.

Tom Fotheringham, whoever you are, I admire your guts. Every Fotheringham, wherever in this world country I happen to be in, is a conviction. There are 15 Fotheringhams in the Toronto phone book. Not a one has phoned in-exasperation—in their credit—when some nut has phoned at 3 a.m. to scream about my views on abortion, Spanish separatism or the sex appeal of Sheri Coppers.

Ladies: Tom Fotheringham, whoever you are, for your chatupah. If I ever could discern your registered phone number, or address, I would pass on my faded little black book, now redundant. To you I throw the torch. Keep the flame alive.

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